

## Rating Update

December 23, 2020 | Mumbai

### Akross Synthetics Private Limited

**Update as on December 23, 2020**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

#### **Upward factors**

- \*Sustained improvement in scale by 10% and stable margin leading to higher cash accrual.
- \* Efficient working capital management.

#### **Downward factors**

- \*Decline in scale by 10% and profitability.
- \* Large, debt-funded capital expenditure weakening the capital structure.

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL seeks regular updates from companies on the business and financial performance. CRISIL is, however, awaiting adequate information from Akross Synthetics Private Limited (ASPL) which will enable us to carry out the rating review. CRISIL will continue provide updates on relevant developments from time to time on this credit.

CRISIL also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

#### **About The Company**

Incorporated in 1994, ASPL manufactures different types of resins, such as alkyd, amino, polyurethane, hard resins, phenolics, water base paints, distempers, primers, synthetics enamels, and printing ink. Currently, it has two plants in Surajpur Industrial Area, Greater Noida (Uttar Pradesh). Mr Rohan Bhasin and Mr Arvind Bhasin are the directors.

*Please note: This update should not be construed as a rating reaffirmation.*

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## Rating Rationale

December 16, 2019 | Mumbai

### Akross Synthetics Private Limited

*Ratings Reaffirmed*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.15 Crore
Long Term Rating	CRISIL BB+/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB+/Stable/CRISIL A4+' ratings on the bank facilities of Akross Synthetics Private Limited (ASPL).

The ratings continue to reflect the extensive experience of the promoters in the alkyl resin and other related chemicals manufacturing industry. The ratings also factor in the company's above-average financial risk profile. These strengths are partially offset by modest scale of operations and exposure to risks related to intense competition from China and from other small players along with exposure to volatile raw material prices.

#### Key Rating Drivers & Detailed Description

##### Strengths

**\* Extensive experience of the promoters:** The extensive experience of the promoters has led to healthy relationships with some major paint companies, such as Asian Paints Ltd and Berger Paints India Ltd. The key promoter has more than four decades of experience in the production and marketing of resin, varnishes, and paints through the group entities, Akross Coating Pvt Ltd and Deco Paints and Chemicals.

**\* Moderate financial risk profile:** Gearing was moderate at 1.19 times as on March 31, 2019, due to limited reliance on external debt to meet the working capital requirement. This, along with improved profitability and scale, has led to better debt protection metrics. Interest coverage and net cash accrual to adjusted debt ratios were 8.8 times and 0.37 time, respectively, in fiscal 2019. The metrics are expected to improve further over the medium term.

##### Weaknesses

**\* Modest scale of operations:** The company is a modest player in the domestic oil derivatives industry, with moderate capacity, despite doubling of capacity in fiscal 2018. It primarily produces alkyd resins, the market for which is highly fragmented on account of low capital intensity, leading to intense competition. The company has limited pricing power on account of the commodity nature of the product. In fiscal 2019, revenue was modest at Rs 53.02 crore, though the scale is expected to improve with the commencement of commercial operations of the enhanced capacity. Profitability is linked to the overall fortunes of the paint industry.

**\* Exposure to intense competition and volatile raw material prices:** ASPL faces significant competition from other big players in the resin and ink manufacturing sector. China has been disrupting the market with its aggressively priced products sold to India. ASPL, being a small player in the market, should remain exposed to intense competition over the medium term. As prices for raw materials used for resin and ink are volatile, the inability to pass them on to customers could lead to reduced profitability.

#### Liquidity Adequate

Bank limit utilisation averaged 70% over the 12 months. Cash accrual, expected at Rs 4 crore per fiscal, should sufficiently cover debt obligation of Rs 0.48 crore over the medium term. Current ratio was low at 0.79 time on March 31, 2019.

## **Outlook: Stable**

CRISIL believes ASPL will continue to benefit from the promoters' extensive experience.

## **Rating sensitivity factors**

### **Upward factors**

\*Sustained improvement in scale by 10% and stable margin leading to higher cash accrual

\*Efficient working capital management,

### **Downward factors**

\*Decline in scale by 10% and profitability.

\*Large, debt-funded capital expenditure weakening the capital structure.

## **About the Company**

Incorporated in 1994, ASPL manufactures different types of resins, such as alkyd, amino, polyurethane, hard resins, phenolics, water base paints, distempers, primers, synthetics enamels, and printing ink. Currently, it has two plants in Surajpur Industrial Area, Greater Noida (Uttar Pradesh). Mr Rohan Bhasin and Mr Arvind Bhasin are the directors.

## **Key Financial Indicators**

Particulars	Unit	2019	2018
Revenue	Rs Crore	53.02	48.43
Profit After Tax (PAT)	Rs Crore	2.76	1.21
PAT Margin	%	5.21	2.5
Adjusted Debt/Adjusted Networth	Times	1.19	0.89
Interest coverage	Times	7.91	5.4

**Any other information:** Not applicable

## **Note on complexity levels of the rated instrument:**

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## Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	5.05	CRISIL BB+/Stable
NA	Long-Term Loan	NA	NA	Mar-2021	1.84	CRISIL BB+/Stable
NA	Proposed Long-Term Bank Loan Facility	NA	NA	NA	6.11	CRISIL BB+/Stable
NA	Proposed Letter of Credit	NA	NA	NA	2	CRISIL A4+

## Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund-based Bank Facilities</b>	LT/ST	13.00	CRISIL BB+/Stable			29-09-18	CRISIL BB+/Stable			30-09-16	CRISIL BB-/Stable/CRISIL A4+	--
						18-09-18	Withdrawn/Withdrawn (Issuer Not Cooperating)*					
						14-02-18	CRISIL BB-/Stable/CRISIL A4+ (Issuer Not Cooperating)*					
<b>Non Fund-based Bank Facilities</b>	LT/ST	2.00	CRISIL A4+			29-09-18	CRISIL A4+		--		--	--

All amounts are in Rs.Cr.

\*Issuer did not cooperate; based on best-available information

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	5.05	CRISIL BB+/Stable	Cash Credit	5.05	CRISIL BB+/Stable
Long Term Loan	1.84	CRISIL BB+/Stable	Long Term Loan	1.84	CRISIL BB+/Stable
Proposed Letter of Credit	2	CRISIL A4+	Proposed Letter of Credit	2	CRISIL A4+
Proposed Long Term Bank Loan Facility	6.11	CRISIL BB+/Stable	Proposed Long Term Bank Loan Facility	6.11	CRISIL BB+/Stable
<b>Total</b>	<b>15</b>	<b>--</b>	<b>Total</b>	<b>15</b>	<b>--</b>

### Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Chemical Industry](#)

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