

June 14, 2024

ACPL Exports Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Working capital	25.00	25.00	[ICRA]BBB(Stable); reaffirmed
Long-term Fund-based – Overdraft	5.00	5.00	[ICRA]BBB(Stable); reaffirmed
Short-term Non-fund-based – Letter of credit/Bank guarantee	0.50	0.50	[ICRA]A3+; reaffirmed
Short-term Non-fund-based – Others	0.80	0.80	[ICRA]A3+; reaffirmed
Total	31.30	31.30	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation of ACPL Exports Private Limited (ACPL) factors in the company's established operational track record and extensive experience of its promoters in the silver jewellery exports business. ACPL's revenue moderated to some extent (an operating income of Rs.156.91 crore in FY2024 against Rs. 158.35 crore in FY2023) due to relatively lower order inflow amid some slowdown in demand witnessed in the export market. Nonetheless, there was slight improvement in the operating margins (8.53% in FY2024 against 8.21% in FY2023) and the overall financial profile remained adequate, as marked by steady accrual generation, comfortable capital structure and adequate liquidity profile. Moreover, the company is likely to report a modest revenue growth in the current fiscal on the back of some improvement in demand.

The ratings, however, remain constrained by ACPL's modest scale of operations, which coupled with intensely competitive and fragmented nature of the jewellery industry, limits the pricing flexibility of industry participants including ACPL. Moreover, the company continues to face geographical concentration risk as the major portion of its sales comes from a single market (the US), although ACPL has made efforts to diversify its customer base over the years. The ratings further factor in the working capital intensive nature of operations owing to high inventory requirements and susceptibility of ACPL's operating margins to volatility in silver prices and foreign exchange rates, although it partially hedges against foreign exchange risks through forward contracts.

The Stable outlook on the long-term rating reflects ICRA's opinion that ACPL will continue to benefit from its established operational track record and some improvement in demand for its products, enabling it to maintain an adequate financial profile.

Key rating drivers and their description

Credit strengths

Five-decade long experience of promoters in silver jewellery business – The promoters and their families have been involved in the silver jewellery business for more than five decades. At present, the company's day-to-day operations are looked after by Mr. Dinesh Gupta and Mr. Mukesh Gupta, and their sons, who are also a part of the company's senior management.

Adequate financial risk profile – The company's financial risk profile continues to remain steady over the years, as reflected in low gearing and adequate debt coverage indicators, despite high interest outflow. Some comfort can be drawn from the fact that the major portion of the interest outflow is towards unsecured loans from promoters where the interest is accrued

and is not necessarily paid out. Moreover, the company is likely to report a modest revenue growth in the current fiscal on the back of some improvement in demand.

Credit challenges

Moderate scale of operations – ACPL has a moderate scale of operations, as reflected in an operating income of Rs. 156.9 crore in FY2024 (Rs. 158.3 crore in FY2023). This constrains its economies of scale and bargaining power against the big customers and suppliers.

Intensely competitive and fragmented industry – The industry is intensely competitive and fragmented due to low capital investment. Further, ACPL faces stiff competition from countries such as China, Italy and Thailand, which manufacture silver jewellery in bulk. Moreover, the company faces geographical concentration risk as it derives around 60% of revenues from the US markets.

Susceptibility of profitability to raw material price volatility – ACPL’s profitability remains susceptible to volatility in silver prices and exchange rate movements. However, the same is partly mitigated by the forward cover of foreign currency transaction and order-backed purchase of silver.

Working capital intensive operations – The operations of company are working capital intensive because of its need to maintain high inventory, as reflected by NWC/OI of 40-50% in the past few fiscals. However, comfort can be drawn from the fact that most of the inventory is being funded through internal accruals and reliance on outside debt is low.

Liquidity position: Adequate

ACPL’s liquidity position remains **adequate** supported by steady accrual generation, free cash and liquid investments of ~Rs. 28 crore and sufficient cushion of Rs. 20 crore as on March 31, 2024 in the form of undrawn bank lines. No long-term debt repayment liability and no major capital expenditure plan in the near term further support the company’s liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company’s revenues and operating profit margin increase on a sustained basis, leading to an improvement in net cash accruals.

Negative factors – ICRA could downgrade the ratings if a considerable decline in accrual generation and/or a deterioration in the working capital cycle results in a significant weakening in the company’s liquidity profile or debt protection metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

ACPL was incorporated in 2008, following the conversion of a family-run partnership firm. All the partners of the erstwhile partnership firm became shareholders of the company. At present, the company’s day-to-day operations are looked after by Mr. Dinesh Gupta and Mr. Mukesh Gupta, and their sons, who are also on the board of directors. The company designs, manufactures and sells silver jewellery. The product designing is done with a focus on export markets, which account for most

of the company's revenues. Jewellery is manufactured on a job-work basis by artisans and is sold to customers at a margin over cost. The product profile of ACPL includes basic jewellery such as chains, bangles, anklets and earrings, and fashion jewellery such as bracelets, pendants, and necklaces.

Key financial indicators

ACPL – Standalone	FY2022	FY2023	FY2024
	Audited	Audited	Provisional
Operating Income (Rs. crore)	160.84	158.35	156.91
PAT (Rs. crore)	11.46	7.21	10.60
OPBDIT/OI (%)	9.96%	8.21%	8.53%
PAT/OI (%)	7.12%	4.55%	6.76%
Total Outside Liabilities/Tangible Net Worth (times)	0.70	0.58	0.49
Total Debt/OPBDIT (times)	2.95	3.21	2.86
Interest Coverage (times)	5.65	2.58	2.51

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2025)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2024 (Rs. crore)	Date & Rating on	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				June 14, 2024	June 12, 2023	May 23, 2022	-
Fund Based-Working Capital	Long-term	25.00	-	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	-
Fund-based - Overdraft	Long-term	5.00	-	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	-	-
Letter of credit/Bank guarantee	Short term	0.50	-	[ICRA]A3+	[ICRA]A3+	-	-
Non-fund-based Others	Short term	0.80	-	[ICRA]A3+	[ICRA]A3+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Working capital	Simple
Long-term Fund-based – Overdraft	Simple
Short-term Non-fund-based – Letter of credit/Bank guarantee	Very Simple
Short-term Non-fund-based – Others	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Working capital	NA	NA	NA	25.00	[ICRA]BBB(Stable)
NA	Long-term Fund-based – Overdraft	NA	NA	NA	5.00	[ICRA]BBB(Stable)
NA	Short-term Non-fund-based – Letter of credit/Bank guarantee	NA	NA	NA	0.50	[ICRA]A3+
NA	Short-term Non-fund-based – Others	NA	NA	NA	0.80	[ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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