

July 26, 2019

Azam Rubber Products Limited: Rating downgraded to [ICRA]D

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	[ICRA]D; downgraded from [ICRA]C+
Total	-	

*Instrument details are provided in Annexure-1

Rationale

The revision in rating is on account of delays in debt repayments owing to the stretched liquidity position of the company. ICRA takes note of weak financial profile as reflected by decline in operating income in FY2019 (provisional) to Rs. 65.64 crore from Rs. 85.01 crore in FY2018, leveraged capital structure and weak debt coverage indicators.

Going forward, the company's ability to improve its liquidity position and service its debt in a timely manner will be the key rating sensitivity.

Outlook: Not applicable

Key rating drivers

Credit strengths

Experienced management with established track record in footwear industry – The management of ARPL is well qualified and the promoters have over three decades of experience in the footwear industry.

Credit challenges

Stretched liquidity position resulted in delays in debt servicing – There have been delays in debt servicing owing to the stretched liquidity position of the company.

Liquidity Position:

There have been delay in debt servicing owing to the stretched liquidity position of the company.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Footwear Industry
Parent/Group Support	Not applicable
Consolidation / Standalone	The rating is based on standalone profile of the company

About the company

Incorporated in 1994, ARPL is promoted by Mr. Azam Khan. The company manufactures footwear including hawai (flip flop) slippers, sandals and sports shoes, etc. and has two manufacturing units located at Gorakhpur Industrial Development Authority (GIDA), Gorakhpur, Uttar Pradesh, with a total installed capacity of 4.35 crore pairs of footwear annually. Hawai slippers are produced and ethylene vinyl acetate/polyvinyl chloride (EVA/PVC) footwear is produced. The main raw material used by the company is rubber, EVA and PVC, which it procures domestically. The products of the company are marketed in UP, Bihar, Jharkhand, Chhattisgarh and MP, under the brand name ARP through a network of around 250 dealers.

Key financial indicators (audited/provisional)

	FY2018(audited)	FY2019(Provisional)
Operating Income (Rs. crore)	85.01	65.64
PAT (Rs. crore)	-1.85	-1.00
OPBDIT/OI (%)	31.09%	13.34%
RoCE (%)	7.26%	5.31%
Total Debt/TNW (times)	1.81	1.68
Total Debt/OPBDIT (times)	3.06	8.34
Interest coverage (times)	2.93	1.98

Source: The provisional numbers are provided by the company

Status of non-cooperation with previous CRA: CARE has moved the CARE D rating to issuer noncooperation category in March 2018 due to non-availability of the requisite information to carry out rating exercise.

Any other information: None

Rating history for last three years:

	Instrument	Type	Current Rating (FY2019)			Chronology of Rating History for the Past 3 Years		
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating July 2019	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
1	Issuer Rating	Long Term	-	-	[ICRA]D	[ICRA]C+	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Issuer Rating	-	-	-	-	-	[ICRA]D
Source: Azam Rubber Products Limited						

Annexure-2: List of entities considered for consolidated analysis- Not applicable

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