

September 11, 2019

Aadarsh Extrusion Pvt. Ltd.: Ratings downgraded to [ICRA]D/D

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Cash Credit	3.50	3.50	[ICRA]D; Downgraded from [ICRA]B(Stable)
Term Loan	1.95	1.95	[ICRA]D; Downgraded from [ICRA]B(Stable)
Unallocated Limits	1.50	1.50	[ICRA]D; Downgraded from [ICRA]B(Stable)/A4
Total	6.95	6.95	

*Instrument details are provided in Annexure-1

Rationale

The ratings downgrade follows the delays in debt servicing by Aadarsh Extrusion Pvt. Ltd. to the lender(s), as confirmed by them to ICRA.

Key rating drivers and their description

Credit strengths

Experience of promoters in aluminium extrusion industry - AEPL was incorporated in 2012 by Mr. Himmatlal Jain and his family with the promoters have past experience in the aluminium extrusion industry by virtue of their association with other entities engaged in similar business.

Credit challenges

Recent delays in debt servicing - There has been delays in debt servicing by Aadarsh Extrusion Pvt. Ltd. in the recent past.

Small scale of operations, average financial risk profile and high working capital intensity – The company's scale of operations with revenue of Rs. 14.95 crore in FY2018 (provisional financials). The financial risk profile remains average as reflected by gearing of 3.48 times and TOL/TNW of 4.36 times as on FY2018-end. The working capital intensity remained high at 45% as on FY2018-end due to high inventory days of 147 days.

Margins susceptible to volatility in raw material prices - The company's margins are significantly affected by the raw material (aluminium) price fluctuation, which also affects its sales realisations. Thus, its cash flows and profitability remain exposed to any fluctuations in the raw materials prices. The margins and cash flows are also susceptible to the demand from the end-user industries, i.e., real estate and construction, furniture, etc.

Liquidity position: Poor

Aadarsh Extrusion Pvt. Ltd.'s liquidity remains poor as reflected in delays in the term loan repayment by the entity.

Rating sensitivities

Positive triggers – Regularisation of debt servicing on a sustained basis (more than three months).

Negative triggers – Not Applicable.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on Default recognition
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statement of the issuer.

About the company:

Incorporated in 2012, AEPL manufactures Aluminium profiles and sections. Its manufacturing unit is located at Manjusar (Gujarat) and has a total installed capacity of ~12 metric tonnes per day (MTPD). The product portfolio of the company comprises window frames and sections, rectangular tubes, handles, inter locks, door top, door bottom, square bars, grill F section, etc.

Key financial indicators:

	FY2017	FY2018 (Provisionals)
Operating Income (Rs. crore)	19.25	14.95
PAT (Rs. crore)	0.14	0.27
OPBDIT/ OI (%)	6.69%	9.62%
RoCE (%)	5.49%	7.22%
Total Outside Liabilities/Tangible Net Worth (times)	6.32	4.36
Total Debt/OPBDIT (times)	8.53	6.75
Interest Coverage (times)	2.45	2.16
DSCR	1.08	1.12

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2020)			Rating History for the past 3 years			
		Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018	FY2017
					11-September 2019	29-June 2018	-	23-December 2016
1	Cash Credit	Long Term	3.50	-	[ICRA]D	[ICRA]B (Stable)	-	[ICRA]B
2	Term Loan	Long Term	1.95	NA	[ICRA]D	[ICRA]B (Stable)	-	[ICRA]B
3	Unallocated Limits	Long Term/Short Term	1.50	-	[ICRA]D/D	[ICRA]B (Stable)/A4	-	[ICRA]B/A4

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
NA	Cash Credit	NA	NA	NA	3.50	[ICRA]D
NA	Term Loan	FY2015	NA	FY2021	1.95	[ICRA]D
NA	Unallocated Limits	NA	NA	NA	1.50	[ICRA]D/D

Source: Aadarsh Extrusion Pvt. Ltd.

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