

Ashoo Decor India (ADI)

Ashoo Decor India: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Overdraft	0.95	SMERA BB-/Stable (Reaffirmed)
Letter of Credit/Bank Guarantee	5.50	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.0.95 crore fund-based facility and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.5.50 crore non-fund facility of Ashoo Decor India (ADI). The outlook is '**Stable**'.

The ratings continue to derive comfort from the firm's experienced management and moderate financial risk profile. However, the ratings are constrained by the small scale of operations. The ratings also factor in the working capital intensive business and tender based operations.

Update

ADI benefits from its experienced management. Mr. Vikas Sharma and Mr Chetan Sharma, Partners have over 15 years of experience in the firm's line of business and are ably supported by a second line of management. Further, the ratings also draw support from the low leverage (debt-equity ratio) of 0.68 times in FY2015-16 against 0.64 times during the previous year. The ratings also note the interest coverage ratio of 3.58 times in FY2015-16 as compared to 5.12 times in FY2014-15. The firm has healthy relations with its customers and suppliers.

However, the scale of operations is modest evident from the operating income of Rs.8.96 crore in FY2015-16 (refers to financial year, April 01 to March 31), against Rs.18.48 crore in FY2014-15. The operating income declined due to lower than expected demand from customers. The firm's operations are working capital intensive marked by gross current asset (GCA) of 274 days against 112 days during the previous year. The high GCA days emanates from the high collection period of 230 days, as against 95 days in FY2014-15. SMERA also notes that the firm is exposed to revenue concentration risk arising from high dependence on tenders floated by real estate players.

Rating Sensitivity Factors

- Efficient working capital cycle
- Sustainable growth in revenue

Outlook-Stable

SMERA believes ADI will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant and sustained improvement in operating income while maintaining profitability margins and leverage. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the firm's revenue profile, lengthening of working capital cycle or debt funded capital expansion.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

ADI, incorporated in 1994, is a Haryana-based partnership firm, engaged in the manufacturing of aluminium and glass fabrication work for the real estate industry.

For FY2015-16, the firm reported (profit before tax) PBT of Rs.0.75 crore on operating income of Rs.8.96 crore as compared with PBT of Rs.1.54 crore on operating income of Rs.18.48 crore in FY2014-15. The net worth stood at Rs.2.90 crore as on March 31, 2016 as against Rs.2.70 crore a year earlier

Rating History

Date	Facilities	Amount	Ratings		Outlook
		(Rs. Crore)	Long Term	Short Term	
20 July, 2015	Overdraft	0.95	SMERA BB- (Assigned)	-	Stable
	Bank Guarantee/Letter of Credit	5.50	-	SMERA A4+ (Assigned)	-

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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