

Press Release

Adinath Industries (AI)

April 11, 2017

Rating Assigned and Reaffirmed

Total Bank Facilities Rated*	Rs.20.88 Cr
Long Term Rating	SMERA BB/Stable (Reaffirmed and Assigned)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB (read as SMERA double B)**' and short term rating of '**SMERA A4+ (read as SMERA A four plus)**' on the Rs.18.08 cr bank facilities. SMERA has also assigned long term rating of '**SMERA BB (read as SMERA double B)**' on the Rs. 2.80 crore bank facility of Adinath Industries (AI). The outlook continues to remain '**Stable**'.

To arrive at the ratings, SMERA has combined the business and financial risk profiles of AI and Parasnath Enterprises, together referred to as the 'AIPE Group'. The consolidation is in view of the common customer base, common management and similarity in the lines of business of both the entities.

Adinath Industries, incorporated in 1997, is a Delhi-based group led by Mr. Ashok Kumar Jain, Promoter who has around three decades of experience in the rubber and plastic business. The group is engaged in the manufacturing of plastic and rubber components for railways and oil companies. The installed capacity stands at 30 lakhs pieces per year. The group procures raw material from Delhi, Kerala, Gujarat, Haryana, and Rajasthan and has a pan India presence.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters and second line of management: The AIPE Group was incorporated in 1997 by first generation entrepreneurs led by Mr. Deepak Jain and Mr. Anand Jain who possess experience of more than two decades in the aforementioned line of business.

The partners are also engaged in other businesses including running a petrol pump, real estate (commercial and residential) and managing the day-to-day operations of the group.

Moderate financial risk profile: The AIPE Group has moderate financial risk profile marked by comfortable gearing and coverage indicators. The gearing stands at 1 time as on March 31, 2016 against 0.90 times in FY2014-15. SMERA has treated unsecured loans amounting to Rs. 5.16 cr as quasi equity as they are subordinated to bank debt. These loans have been extended by group firm, B.K. Developers. Moreover, the interest coverage ratio stood moderate at 1.33 times in FY2015-16 against 1.67 times in FY2014-15. The Networth of the group improved on account of infusion of quasi equity and stands at Rs.15.85 cr in FY2015-16 as compared to Rs.13.55 cr in FY2014-15.

Improved working capital cycle: The working capital cycle of the group improved on the back of faster realisation of debtors to 66 days in FY2015-16 from 106 days in FY2014-15.

Weaknesses:

Competitive and fragmented nature of industry: The AIPE Group operates in a highly competitive and fragmented rubber and plastic industry with limited entry barriers and large number of players in the unorganised sector.

Tender based business: The group deals with government organisations (Railways and Oil Company) and orders are allotted on tender basis. Hence, the operating income largely depends on the group's ability to bid for large orders and qualify for the same.

Analytical approach: While assigning the rating, SMERA has taken into account the consolidated operational and financial performance of Adinath Industries and Parasnath Enterprises. The consolidation is in view of the common customer base, management and similarity in the lines of business of both entities.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation Approach - <https://www.smera.in/criteria-consolidation.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the group will maintain a stable outlook over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the group registers substantial growth in revenue and cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity

The Delhi-based AIPE Group, incorporated in 1997 was promoted by Mr. Ashok Kumar Jain who possesses around three decades of experience in the rubber and plastic business.

In FY2015-16, the group achieved operating income of Rs.43.68 cr with net loss of 0.68 cr as compared to operating income of Rs.41.58 cr with Profit after Tax (PAT) of Rs. 0.49 cr a year earlier. The Networth stood at Rs.15.85 cr in FY2015-16 as against Rs.13.55 cr a year earlier. The Networth of Rs.15.85 cr in FY2015-16 includes quasi equity of Rs. 10.53 cr.

About the Rated Entity

For FY2015-16, the firm reported Profit after Tax (PAT) of Rs.0.18 cr on operating income of Rs.22.34 cr in FY2015-16 as compared to PAT of 0.30 cr on operating income of Rs. 21.24 cr in FY2014-15. The networth of the firm stood at Rs.8.00 cr in FY2015-16 as compared to Rs.3.65 cr in FY2014-15. The networth of Rs. 8.00 cr in FY2015-16 includes quasi equity of Rs. 5.16 cr.

Status of non-cooperation with previous CRA (if applicable): N.A

Any other information: N.A

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	0.58 (reduced from 1.31)	SMERA BB/Stable (Reaffirmed)	8 Feb 2017	SMERA BB (indicative) Issuer not co-operating*	27 Oct 2015	SMERA BB /Stable (Assigned)	-	-
Term Loan	LT	2.80	SMERA BB/Stable (Assigned)	-	-	-	-	-	-
Cash Credit	L T	8.50 (enhanced from 4.50)	SMERA BB /Stable (Reaffirmed)	8 Feb 2017	SMERA BB (indicative) Issuer not co-operating*	27 Oct 2015	SMERA BB /Stable (Assigned)	-	-
Letter of Credit	S T	3.50 (Enhanced from 2.00)	SMERA A4+ (Reaffirmed)	8 Feb 2017	SMERA A4+ (indicative) Issuer not co-operating*	27 Oct 2015	SMERA A4+ (Assigned)	-	-
Bank of Guarantee	S T	5.50 (Enhanced from 4.50)	SMERA A4+ (Reaffirmed)	8 Feb 2017	SMERA A4+ (indicative) Issuer not co-operating*	27 Oct 2015	SMERA A4+ (Assigned)	-	-
Proposed Long Term	-	-	-	8 Feb 2017	SMERA BB (indicative) Issuer not co-operating*	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	N.A	N.A	Not Available	0.58 (reduced from 1.31)	SMERA BB/Stable (Reaffirmed)
Term Loan	N.A	N.A	Not Available	2.80	SMERA BB/Stable (Assigned)
Cash Credit	N.A	N.A	N.A	8.50 (enhanced from 4.50)	SMERA BB/Stable (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	3.50 (Enhanced from 2.00)	SMERA A4+ (Reaffirmed)
Bank of Guarantee	N.A	N.A	N.A	5.50 (Enhanced from 4.50)	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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