

Press Release

Industrial Associates

February 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 15.00 crore bank facilities of Industrial Associates. The outlook is '**Stable**'.

Industrial Associates (IA), established as a partnership firm in 1969, is engaged in the manufacturing and trading of refractory material used as insulating material in furnaces, kilns, fireboxes and fireplaces. The firm has two manufacturing units in West Bengal with capacities of 1000 and 1200 tonnes per month. The day-to-day operations are managed by Mr. Vijay Agarwal, Mr. Sushil Agarwal, Mr. Saket Agarwal and Mr. Vinay Agarwal.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

IA, established as a partnership firm in 1969, is part of the Industrial Associates Group. The firm is led by Mr. Vijay Agarwal, Mr. Sushil Agarwal, Mr. Saket Agarwal and Mr. Vinay Agarwal who possess over four decades of experience in the refractory industry.

- **Average financial risk profile**

The average financial risk profile is marked by high debt equity of 2.62 times in FY2016. The debt profile gets comfort from the fact that IA has no major annual repayments on term loans other than Rs.0.11 crore in FY2017. IA generates sufficient net cash accruals to meet the term debt obligations. The Interest coverage ratio stands at 1.50 times and DSCR at 1.40 times in FY2016. The net worth of the firm stood moderate at Rs.7.27 crore in FY2016, a decline from Rs.9.19 crore in FY2015 mainly due to withdrawal of funds from business by partners. The NCA/TD stood at 0.05 times in FY2016

Weaknesses

- **Moderate scale of operations**

The moderate scale of operations are marked by stagnant revenue of Rs.26.75 cr in FY2016 as compared to Rs.24.65 cr in FY2015.

- **Working capital intensive operations**

The working capital intensive operations are marked by high gross current assets days of 315 days in FY2016 mainly on account of high inventory and debtors that keep the liquidity position stretched. Inventory and debtors stood at 168 and 105 days respectively in FY2016 as against 173 and 110 days in FY2015.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the firm.

Outlook: Stable

SMERA believes that IA will maintain a stable outlook in the medium term backed by its promoters extensive experience and established relations with customers. The outlook may be revised to Positive if the firm registers more than expected revenues while improving profitability. Conversely, the outlook may be revised to Negative if it fails to achieve expected revenues, profitability, or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

For FY2015-16 (refers to financial year April 01 to March 31), Industrial Associates (IA) reported profit after tax (PAT) of Rs.0.14 cr on operating income of Rs.26.75 cr, as compared with PAT of Rs.0.12 cr on operating income of Rs.24.65 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.75	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA A4+

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