

Press Release

Aaditya Foam Industries LLP

03 May, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.5.00 Cr
Long Term Rating	SMERA B/Outlook: Stable
Short Term Rating	SMERA A4

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 5.00 crore bank facilities of Aaditya Foam Industries LLP. The outlook is '**Stable**'.

Aaditya Foam Industries LLP (AFI) was established as a partnership firm in April 2015 by Mr. Kailash V. Jadhwan, Mr. Anant S. Bhandare, Mr. Vikas K. Dhameja and others. The firm has set up an EPE (Expanded Polyethylene) foam, rolls and sheets manufacturing facility at Murbad, Maharashtra with an installed capacity of 200 MT per month. The firm sells its products under the brand name 'Stanlon', 'Bestpac' and 'Safelon'.

Key Rating Drivers

Strengths

- **Experienced management**

The partners possess more than two decades of experience in a similar line of business.

Weaknesses

- **Limited track record of operations**

The firm commenced commercial operations from February 2016 and thus has a limited track record of operations. The installed capacity is 200 MT per month while the firm currently utilises around 100 MT per month. As per 11M FY2016-17 (Provisionals), the operating income stands at Rs.11.00 cr.

- **Below average financial risk profile**

AFI was set up at a project cost of around Rs.8.00 cr funded through a term loan of Rs.3.40 cr and the balance through own funds. The gearing is expected to be moderate at 1.40 times as on 31 March, 2017. The nascent stage of operations may put pressure on the debt repayment capacity of the firm. The cash credit facility has been fully utilised without any instance of overdrawning.

- **Highly fragmented and competitive industry**

AFI operates in a highly fragmented and competitive industry with large numbers of unorganised players resulting in low bargaining power against both, its customers as well as suppliers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Aaditya Foam Industries LLP to arrive at the rating.

Outlook: Stable

SMERA believes that AFI's outlook will remain 'Stable' and the firm will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm is able to register healthy growth in revenues while posting healthy operating margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration of the financial risk profile on account of higher

than expected increase in debt funded working capital requirements or if the firm registers lower than expected revenues.

About the Rated Entity - Key Financials

For FY2015-16, the firm incurred net loss of Rs.0.09 cr on operating income of Rs.0.46 cr. The net worth stood at Rs.2.41 cr as on 31 March, 2016.

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. Cr)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B/Stable
Term Loan	Not Applicable	Not Applicable	30-Sep-2022	1.78	SMERA B/Stable
Term Loan	Not Applicable	Not Applicable	30-Sep-2022	0.92	SMERA B/Stable
Term Loan	Not Applicable	Not Applicable	30-Sep-2022	0.30	SMERA B/Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4

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ABOUT SMERA

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