

Press Release

Aaditya Foam Industries LLP

May 31, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	-	ACUITE A4 Reaffirmed & Withdrawn
Bank Loan Ratings	4.00	ACUITE B Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	5.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.5.00 Cr. bank facilities of Aaditya Foam Industries LLP. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

About the Company

Aaditya Foam Industries LLP (AFI) was established as a partnership firm in April 2015 by Mr. Kailash V. Jadhvani, 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 and Kolhapur in Maharashtra with an installed capacity of 650 MT per month. The firm sells its products under the brand name 'Stanlon', 'Bestpac' and 'Safelon'.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of AFI to arrive at this rating

Key Rating Drivers

Strengths

Increased scale of Operations

Aaditya foam Industries LLP (AFI) has a plant located in Murbad with a capacity 300 MT per month. In FY2021 it set up an additional plant in Kohapur with a plant capacity of 350 MT per month. The capacity utilisation as on FY2022 is 62% and is expected to improve in the near and medium term. Further, in FY2022 the company merged its group company Aaditya Sales Corporation which is into manufacturing of Polyurethane foam mattresses. The firm has recorded a robust performance with operating income of ~Rs. 61 Cr (Prov) in FY2022 as against Rs.26.65 Cr in FY2021 as against Rs.26.03 Cr in FY2020. Operating margin of the firm

declined to 12.74 percent in FY2021 as against 17.70 percent in FY2020 on account of increased raw material costs. The PAT margin also declined to 5.01 percent in FY2021 as against 8.32 percent in FY2020.

Moderate Financial risk profile

The financial risk profile of the firm stood moderate marked by modest net worth, high gearing and comfortable debt protection metrics. The tangible net worth stood at Rs.8.61 crore as on 31 March, 2021 as against Rs.7.76 crore as on 31 March, 2020. Total debt of the firm stood at Rs.12.31 crore as against 8.40 Cr in FY2020. Total debt comprises of Rs.8.83 crore of long term debt and Rs.3.48 crore unsecured loans from directors and related parties. Gearing (debt-equity) stood high at 1.43 times as on 31 March, 2021 as compared to 1.08 times as on 31 March, 2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.81 times as on 31 March, 2021 as against 1.31 times on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.15 times for FY2021. Debt protection metrics of the firm remained comfortable with Interest Coverage Ratio at 3.80 times for FY2021 as against 4.89 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.17 times in FY2021 as against 1.46 times in FY2020.

Weaknesses

Intensive Working capital operations

The working capital operations of the company is intensive marked by GCA days of 148 days in FY2021 as against 109 days in FY2020. The Inventory holding period stood at 75 days in FY2021 as against 34 days in FY2020. As a policy the company takes advanced payments for their sales but for some customers the credit period of 30-45 days is extended. The debtor days stood at 47 days in FY2021 as against 32 days in FY2020.

Highly fragmented and competitive industry

The industry is marked by presence of large number of organized and unorganized players in the industry. The industry is intensely competitive and fragmented industry because of low entry barriers and moderate capital requirements. The high competitive intensity limits the pricing flexibility and exerts pressures on the margins of all participants

Rating Sensitivities

Substantial improvement in scale of operation while maintaining profitability margins
Deterioration in debt protection metrics and liquidity profile

Material covenants

None

Liquidity: Adequate

The company's liquidity profile is adequate marked by moderate net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs. 1.83 Cr in FY2021 as against maturing debt obligation of 1.44 Cr. The firm maintains unencumbered cash and bank balances of Rs. 0.32 crore as on March 31, 2021. The current ratio of the company stands at 2.43 times as on March 31, 2021.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against its repayment obligations.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	26.65	26.03
PAT	Rs. Cr.	1.33	2.17

PAT Margin	(%)	5.01	8.32
Total Debt/Tangible Net Worth	Times	1.43	1.08
PBDIT/Interest	Times	3.80	4.89

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Feb 2022	Cash Credit	Long Term	1.00	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	0.92	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	1.78	ACUITE B (Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	0.30	ACUITE B (Issuer not co-operating*)
20 Nov 2020	Term Loan	Long Term	1.78	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	0.30	ACUITE B (Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	0.92	ACUITE B (Issuer not co-operating*)
	Cash Credit	Long Term	1.00	ACUITE B (Issuer not co-operating*)
10 Sep 2019	Cash Credit	Long Term	1.00	ACUITE B (Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	0.92	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	1.78	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	0.30	ACUITE B (Issuer not co-operating*)
	Cash Credit	Long Term	1.00	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	1.78	ACUITE B (Issuer not co-operating*)

20 Jun 2018	Term Loan	Long Term	0.92	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	0.30	ACUITE B (Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
03 May 2017	Cash Credit	Long Term	1.00	ACUITE B Stable (Assigned)
	Term Loan	Long Term	1.78	ACUITE B Stable (Assigned)
	Term Loan	Long Term	0.92	ACUITE B Stable (Assigned)
	Term Loan	Long Term	0.30	ACUITE B Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	30-09-2022	1.78	ACUITE B Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	30-09-2022	0.92	ACUITE B Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	30-09-2022	0.30	ACUITE B Reaffirmed & Withdrawn

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About Acuité Ratings & Research

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