

Press Release

Associated Industrial Furnaces Private Limited

July 03, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 26.68 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 minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 26.68 crore bank facilities of Associated Industrial Furnaces Private Limited. The outlook is '**Stable**'.

Associated Industrial Furnaces Private Limited (AIFPL), part of the Industrial Associates group was incorporated in 1989. The company is engaged in the execution of turnkey contracts for erection and commissioning of industrial equipments and caters to engineering, refractory manufacturing, real estate among other sectors.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters, Mr. Sushil Kumar Agarwal and Mr Saket Agarwal have more than three decades of experience in the said line of business.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by average debt protection metrics, high gearing and moderate net worth. The interest coverage has been healthy and increased to 2.08 times in FY2016 from 1.68 times in FY2015. The debt service coverage has been low and stood at 0.61 times in FY2016 and 0.74 times in FY2015. The gearing has been high marked by 2.08 times and 1.75 times in FY2016 and FY2015 respectively. The increase in gearing is mainly due to a fall in the net worth (due to net loss) and increase in the total debt. The net worth stood moderate at Rs.6.33 crore in FY2016 as against Rs.6.35 crore in FY2015.

Weaknesses

- **Moderate scale of operations**

Though the company started its operation since 1988, the scale of operation is moderate at Rs.40.36 crore in FY2016 and Rs.37.83 crore in FY2015. As informed by the management, the company booked revenue of Rs.25.00 crore till February 2017.

- **Working capital intensive operations**

The working capital intensive nature of operation, marked by high GCA days of 331 days in FY2016 as its increased from 265 days in FY2015. This high GCA days are mainly attributed to the high debtor days of 311 in FY2016 as against of 170 days in FY2015, which has been mainly due to payment delays from customers and long project execution timelines.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AIFPL to arrive at the rating.

Outlook: Stable

SMERA believes that AIFPL will continue to maintain a stable outlook over the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' if the working capital cycle improves as a result of substantial increase in revenue and operating profitability while maintaining the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue, profitability, deterioration in the liquidity or financial risk profile on account of delays in project execution or realisation from debtors.

About the Rated Entity - Key Financials

For FY2015-16, AIFPL reported loss of Rs 0.02 crore on total operating income of Rs.40.36 crore, as compared with profit after tax (PAT) of Rs.0.38 crore on total operating income of Rs.37.83 crore 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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	14.28	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.40	SMERA A4
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B- / Stable

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