

Press Release

Ashoo Decor India

February 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 6.45 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 6.45 crore bank facilities of Ashoo Decor India (ADI). The outlook is '**Stable**'.

The Haryana Based ADI was incorporated in 1994 as a partnership firm by Mr. Vikas Sharma and Mr. Chetan Sharma. The firm is engaged in aluminium and glass fabrication work for government and private players.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ADI to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations**

ADI has been in the glass fabrication business for more than two decades. The firm has established relationship with reputed customers and suppliers such as Emmar Infra, Shapoorji Pallonji and M3M infratech Private Limited, among others.

- **Moderate financial risk profile**

The firm has moderate liquidity profile marked by modest net worth of Rs.3.09 crore as on March 31, 2018 as compared to Rs.3.06 crore as on March 31, 2017. The firm has moderate gearing of 1.43 times as on March 31, 2018 as compared to 0.56 times as on March 31, 2017. The total debt of Rs.4.43 crore as on March 31, 2018 includes Rs.3.18 crore of interest free unsecured loans from partners, Rs.0.43 crore of long term loans from bank and Rs.0.82 crore of working capital borrowings. The firm has healthy interest coverage ratio of 4.81 times as on March 31, 2018 as compared to 3.81 times as on March 31, 2017. The total outstanding liabilities to total net worth stood high at 4.12 times as on March 31, 2018 as compared to 3.02 times as on March 31, 2017.

Acuité believes that ADI will continue to maintain moderate financial risk profile with moderate capex of Rs.0.25- 0.50 crore over the near to medium term.

Weaknesses

- **Working capital intensive nature of operations**

ADI operations are working capital intensive marked by high Gross Current Assets (GCA) of 171 days as on March 31, 2018 as compared to 168 days as on March 31, 2017. The high GCA days emanates from high collection period of 152 days in FY 18 as compared to 98 days in FY 17. The stretched working capital cycle is due to the sluggish nature of real estate industry.

Acuité expects that with the improvement in principal industry, the working capital requirement is expected to decline over the medium term.

• **Modest scale of operation with customer concentration**

The firm has modest scale of operations with revenue in the range of Rs.8.96 crore to Rs.19.98 crore over the three years ending on March 31, 2018. The operations are expected to remain modest over the near to medium term as the firm concentrates on tenders from reputed customers.

Acuité believes that addition of new customers and growth in turnover will be key sensitivity factor.

Liquidity position:

ADI has adequate liquidity marked by moderate net cash accruals to its maturing modest debt obligations during the year. ADI has generated cash accruals of Rs.0.86 crore to Rs.1.37 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.05 crore over the same period. ADI maintains unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2018. The current ratio of ADI stood moderate at 1.27 times as on March 31, 2018. Acuité believes that the liquidity of ADI is likely to remain adequate over the medium term on account of moderate cash accruals to service its maturing debt obligations in the medium term.

Outlook: Stable

Acuité believes that ADI will maintain a 'Stable' outlook in the medium term on the back of management's extensive experience in the fabrication work. The outlook may be revised to 'Positive' if ADI achieves significant and sustainable growth in revenue and profitability, thereby improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue or profitability resulting in deterioration of its financial risk profile or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.98	17.52	8.96
EBITDA	Rs. Cr.	1.62	1.33	1.00
PAT	Rs. Cr.	1.17	0.97	0.74
EBITDA Margin	(%)	8.11	7.61	11.15
PAT Margin	(%)	5.88	5.54	8.26
ROCE	(%)	24.92	28.26	23.39
Total Debt/Tangible Net Worth	Times	1.43	0.56	0.69
PBDIT/Interest	Times	4.81	3.81	3.58
Total Debt/PBDIT	Times	2.56	1.14	1.64
Gross Current Assets (Days)	Days	171	168	274

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Mar-2018	Overdraft	Long Term	0.95	ACUITE BB- (Indicative)
	Bank of Guarantee / Letter of Credit	Short Term	5.50	ACUITE A4+ (Indicative)
11-Nov-2016	Overdraft	Long Term	0.95	ACUITE BB-/Stable (Reaffirmed)
	Bank of Guarantee / Letter of Credit	Short Term	5.50	ACUITE A4+ (Reaffirmed)
20-Jul-2015	Overdraft	Long Term	0.95	ACUITE BB-/Stable (Assigned)
	Bank of Guarantee / Letter of Credit	Short Term	5.50	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE BB- / Stable (Reaffirmed)
Bank of Guarantee / Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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