

Press Release

Ishape Appliances Private Limited

July 22, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs.14.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B-/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B-**' (**read as ACUITE B minus**) to the Rs.14.00 crore bank facilities of Ishape Appliances Private Limited (IAPL).

The downgrade is driven by delays in servicing of debt obligation by IAPL due to delay in project implementation.

Ishape Appliances Private Limited (IAPL) was established as a partnership firm in 1976 (formerly known as M/s Nik-Cool) and later, was converted to private limited company in August 2017 by Mr. Nakul Baheti and Mrs. Rama Baheti. The company is engaged in manufacturing and trading of steel furniture and precision cooling machines. The product portfolio includes evaporative steel coolers, air washers and industrial coolers with the brand name of 'Sheetal Coolers'. IAPL has 200 dealers spread across Madhya Pradesh, Chhattisgarh, Gujarat, Rajasthan, Maharashtra, Haryana, Uttar Pradesh and Delhi.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of IAPL to arrive at the rating.

Key Rating Drivers

Strengths

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

IAPL was established as a partnership firm in 1976 (formerly known as M/s Nik-Cool) by Mr. Raman Baheti (Father of Mr. Nakul Baheti) and was converted to private limited company in August 2017 by Mr. Nakul Baheti and Mrs. Rama Baheti. Thus, the Directors have more than a decade of experience in the same line of business and the company has established track record of operations for more than four decades. Acuité believes that the company will be benefited by the established track record of operations and experienced management.

Weaknesses

- **Delay in debt servicing**

There have been recent instances of delay in term loan interest and principal repayment by IAPL.

- **Small scale of operations and fluctuating profitability margins**

IAPL has small scale of operations marked by operating income of Rs. 4.42 crore in FY2019 (Provisional) as against Rs. 2.78 crore in FY2018 despite being into similar line of business for more than four decades. IAPL has reported fluctuating profitability margins during the period under the study. EBITDA margin stood at ~11.05 % in FY2019 (Provisional) as against 42.39% in FY2018 and 21.43 % in FY2017. This is majorly on account of fluctuation in raw material prices. Acuité believes that the ability of the company to scale up its operations and profitability margins in such a highly competitive industry will be crucial for IAPL.

- **Average financial risk profile**

The financial risk profile of the company is average marked by low net worth and average debt protection metrics. The tangible net worth stood at Rs. 2.89 crore as on 31 March, 2018 as against Rs. 3.25 crore as on 31 March, 2017. The gearing stood at 3.92 times as on 31 March, 2018 as against 1.08 times as on 31 March, 2017. Total debt of Rs. 11.31 crore outstanding as on 31 March, 2018 comprises long term secured loans of Rs. 7.04 crore from the bank and Rs. 2.53 crore as unsecured loans from the promoters and Rs. 1.73 crore short term borrowings from the bank. Interest Coverage Ratio stood at 1.58 times in FY2018 as against 1.75 times in FY2017. DSCR stood at 1.11 to 1.75 times over the medium term. The net cash accruals have remained stable at Rs. 0.35 crore in FY2018 as well as FY2017.

Liquidity Position:

IAPL has weak liquidity marked by low net cash accruals as compared to its maturing debt obligations. IAPL generated cash accruals of Rs. 0.35 crore during FY2018, while its maturing debt obligations were approx. Rs. 0.38 crore over the same period. IAPL maintains unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2018. The current ratio of IAPL stood at 1.58 times as on March 31, 2018. Acuité believes that the liquidity of IAPL is likely to remain weak over the medium term on account of low growth in cash accruals over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	2.78	3.79	3.45
EBITDA	Rs. Cr.	1.18	0.81	0.89
PAT	Rs. Cr.	0.30	0.23	0.46
EBITDA Margin	(%)	42.39	21.43	25.89
PAT Margin	(%)	10.87	6.05	13.24
ROCE	(%)	10.80	10.93	17.61
Total Debt/Tangible Net Worth	Times	3.92	1.08	2.61
PBDIT/Interest	Times	1.63	1.75	2.63
Total Debt/PBDIT	Times	9.57	4.33	4.79
Gross Current Assets (Days)	Days	1,158	828	679

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Jun-2018	Cash Credit	Long Term	3.00	ACUITE B-/Stable (Assigned)
	Term Loans	Long Term	11.00	ACUITE B-/ Stable (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE D (Downgraded from ACUITE B-/Stable)
Term Loans	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE D (Downgraded from ACUITE B-/Stable)

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About Acuité Ratings & Research:

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