

Press Release

Ajmer Industries LLP

July 09, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.25 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 11.25 crore bank facilities of Ajmer Industries LLP. The outlook is '**Stable**'.

Ajmer Industries LLP (AIL) was established in 2015 by Mr. Prem Prakash Agarwal, Mr. Pukh Raj Agarwal and Mr. Suresh Chand Bansal. The firm started its operations on 01 January, 2017. The firm is engaged in manufacturing of decorative laminate sheets using kraft paper, design paper and chemicals like phenol, mylamine, formaldehyde. It has an installed capacity to produce 15 lac sheets per year.

Key Rating Drivers

Strengths

- Growth in operating income**

Ajmer Industries LLP (AIL) registered operating income of Rs.20.36 crore in FY2018 (Provisional) against Rs.1.49 crore in 2017. The reason for increase in operating income is because the firm started its operations on 01 January, 2017. The firm has an installed capacity to manufacture 15 lac sheets per annum and currently the firm is operating at ~70 percent utilisation. Acuité believes that going ahead, the firm will be able to generate additional revenue on account of increase in capacity utilisation over the medium term.

Weaknesses

- Average financial risk profile**

The financial risk profile of the firm is average marked by a low net worth of Rs.3.18 crore as on 31 March, 2018 (Provisional) as against Rs.2.52 crore as on 31 March, 2017. The gearing stood high at 4.25 times as on 31 March, 2018 (Provisional) as against 4.27 times as on 31 March, 2017 on account of high debt against a low net worth. The total debt of Rs.13.53 crore outstanding as on 31 March, 2018 (Provisional) comprises unsecured loans from Directors of Rs.3.87 crore, long term loans of Rs.6.66 crore and working capital facility of Rs.3.00 crore from the bank. The Interest Coverage Ratio improved to 2.49 times in FY2018 (Provisional) from negative 1.16 times in FY2017. The Net Cash Accruals increased to Rs.1.84 crore in FY2018 (Provisional) from negative accruals of Rs.0.54 crore in FY2017. The NCA/TD ratio stood at 0.14 times in FY2018 (Provisional) as against negative NCA/TD of 0.05 times in FY2017.

- Working capital intensive nature of operations**

The operations of the firm are working capital intensive marked by a Gross Current Assets of 164 days in FY2018 (Provisional) against 238 days in FY2017. This is on account of high inventory holding period of 113 days in FY2018 (Provisional) against 130 days in FY2017. The debtor days of the firm stood at 63 days in FY2018 (Provisional) against 22 days in FY2017. The average bank limit utilisation stood at 90 percent for the last six months ended May 2018. Acuité believes that the ability of the firm to maintain adequate funds in order to maintain the working capital cycle will be key rating sensitivity.

- Susceptibility of margins to fluctuations in raw material prices and competitive and fragmented industry**

AIL operates in a highly competitive and fragmented laminates industry characterised by large number of unorganised players affecting margins. Further, the margins are also affected by the volatile nature of prices of the raw material, which is, kraft paper.

Analytical Approach

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

Outlook: Stable

Acuité believes that the outlook on AIL will remain 'Stable' and the company will be able to maintain its credit profile in medium term. The outlook may be revised to 'Positive' in case the company receives higher than expected revenues and profit margins. The outlook may be revised to 'Negative' in case of lower than expected profit margins and higher than expected debt funded working capital requirements and capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.36	1.49	0.00
EBITDA	Rs. Cr.	3.07	-0.29	-0.10
PAT	Rs. Cr.	0.41	-1.24	-0.65
EBITDA Margin	(%)	15.08	-19.50	0.00
PAT Margin	(%)	2.00	-83.16	0.00
ROCE	(%)	10.94	-9.13	-1.57
Total Debt/Tangible Net Worth	Times	4.25	4.27	1.38
PBDIT/Interest	Times	2.49	-1.16	-0.19
Total Debt/PBDIT	Times	4.41	-37.33	-47.71
Gross Current Assets (Days)	Days	164	954	0

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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)

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	3.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.22	ACUITE B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.03	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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