



Rating Rationale

Aadhar Industries

11Feb2019

Brickwork Ratings upgrades the Rating to BWR BB- (Outlook:Stable) for the Bank Loan Facilities of Rs.7.97 Crs of Aadhar Industries ('AI' or 'the Firm')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Nov 2017)	Present
Fund based					
Cash Credit	2.50	2.50	Long Term	BWR B+ (Pronounced as BWR Single B Plus)	BWR BB- (Pronounced as BWR Double B Minus) Upgraded
Term Loan	7.07	5.47			
Total	9.57	7.97	INR Seven Crores Ninety Seven Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Annexure I shows the detailed facilities

Rating : Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of the Firm upto FY18, projections upto FY20 and publicly available information and information/clarifications provided by the management.

The rating upgrade is on account of successful commencement of business operations and increase in scale of operation. The rating continues to draw strength from the partners' experience in the industry and comfortable liquidity position. However, the rating remains constrained by small scale of operation, low Capital base, high gearing, moderate profitability and moderate debt coverage indicators, presence in a highly competitive industry and partnership nature of constitution.

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Going forward the ability of the Firm to increase its scale of operation, improve its overall financial risk profile and manage its working capital efficiently would be the key rating sensitivities.

Key Rating drivers

Credit strengths

The partners of Aadhar Industries have more than a decade' experience in Cement industry. The Firm completed its first full year of operation in FY18 and reported increase in revenue. The liquidity position of the Firm is comfortable as its current ratio stood at 1.58x as on March 31, 2018.

Credit Weaknesses

The scale of AI's operations is small as the Firm reported revenue of Rs 34.73 Crs in FY18 and PAT of Rs.0.33 Crs. Total gearing of the Firm remained high at 2.42x as on March 31, 2018 as against 3.26x as on March 31, 2017. Due to intense competition in the market, the operating profit of the Firm for FY18 was moderate at 8.56%. Consequently, interest coverage indicator of the Firm for FY18 was also moderate at 2.11x. The Firm's debt coverage ratio for FY19 & FY20 is expected to be moderate at 2.08x and 2.62x. The cement industry consist of large number of small players making the industry highly competitive. The Firm is exposed to the inherent risk of capital withdrawal by the partners in the event of personal contingency.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)

Rating Outlook: Stable

BWR believes AI's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Firm's Background

Aadhar Industries (AI) is a Guwahati, Assam based partnership firm established in 2010. The Firm is engaged in manufacturing of Cement of Portland Pozzolana quality which is mainly used in General construction activity. The Firm commenced operations in July 2016. The manufacturing plant of the Firm is situated at Bamungaon Village, Assam and has an installed capacity of 90,000 MTPA and sells its cement in the brand name of 'Holtech Cement'. Till FY18, the plant was operating at 50% capacity. In FY19, the capacity utilisation is being gradually increased to 55% and 60% till FY20. The sales of the Firm are routed through more than 150 dealers situated across the



state of Assam. Three of the Firm's partners i.e. Mr. Pankaj Agarwala, Mr. Pawan Kumar Agarwala and RGA Infra Industries LPP, have left the Firm during FY18.

Presently, there are six partners in the Firm i.e. Mr. Shiwaji Prasad Jaiswal, Mr. Ganesh Sharma, Mr. Binod Keyal, Mr. Vaibhav Keyal, Mr. Mukesh Sureka and Mrs. Rashmi Sureka. They have profit sharing ratio of 35:15:15:10:15:10 respectively. The Firm procures clinker from its suppliers mainly located in Meghalaya and sells it to various distributors in Assam.

Financial Performance

The Firm recorded Net Sales of Rs.34.73 Crs and PAT of Rs.0.33 Crs in FY 18 as against Net Sales of Rs.9.37 Crs and PAT of Rs.0.16 Crs in FY17.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	7.11.2017	2016	2015
1	Fund based Cash Credit Term Loan	Long Term	2.50 5.47	BWR BB- (pronounced as BWR Double B Minus (Outlook:Stable) Upgraded	BWR B+ (pronounced as BWR Single B Plus) (Outlook:Stable) Assigned	Not Rated	Not Rated
			7.97	INR Seven Crores Ninety Seven Lakhs Only			

Status of Non cooperation with other CRA : Not to our knowledge

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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**Annexure I
Details of Rated Bank Facilities**

Bank	Name of Facility	Rated Amount (Rs. Crs)
Canara Bank	Cash Credit	2.50
	Term Loan	5.47
Total		7.97

**Annexure II
Key Financial Indicators**

		31.3.2018 Audited	31.3.2017 Audited
Net Sales	(Rs. Cr)	34.73	9.37
EBITDA	(Rs. Cr)	2.97	2.69
PAT	(Rs. Cr)	0.33	0.16
Partner's Capital (PC)	(Rs. Cr)	5.68	3.88
Total Debt:PC	(Times)	2.42	3.26
Current Ratio	(Times)	1.58	1.54

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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