



Rating Rationale

Associated Appliances Limited

25Apr2018

Brickwork Ratings assigns ratings for the bank loan facilities of Associated Appliances Limited.

Particulars

Facility Rated	Current Review Amount (Rs. Crs)	Tenure	Assigned rating
Fund Based & Non Fund Based Cash Credit Limit	10.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable
Non Fund Based Letter of Credit Bank Guarantee	11.00 3.00	Short Term	BWR A4 (Pronounced as BWR Single A Four)
Total	Rs 24.00Crores (INR Twenty Four Crores Rupees Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

BWR has assigned Long Term Rating of BWR B+ and short term rating of A4 for loan facilities of Associated Appliances Limited

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While assigning the ratings of Associated Appliances Limited, engaged in manufacture of home appliances, BWR has essentially relied upon the company's audited financial results upto FY17, and available information and clarification provided by the Company.

The ratings draw strength from the experience of the promoters with established track record of 20 years in the home appliances industry, comfortable interest coverage ratio, improvement in operating profit margins, and moderate scale of operations. The ratings however, factor in a decline in revenues in FY17, decline in net profit margins, poor debt service coverage ratio, stretched liquidity profile, and high gearing. The ability of the company to sustain and improve its scale of operations, improve profit margins and manage working capital efficiently would be the key rating sensitivities.

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Credit Strengths:

1. **Experienced Promoters with established track record:** The company has experienced promoters with business experience of more than 5 years in the same line of business and has established track record of more than two decades in home appliances industry.
2. **Improvement in operating profit margins:** The company's operating profit margins has improved from 7.51% in FY16 to 7.78% in FY17 due to decline in their operating expenses.
3. **Tie ups with various LPG distributing companies :** The company has tie ups with major LPG distributing company IOCL, BPCL, and HPCL for supply of gas stoves.

Credit Weakness:

1. **Low Net Profit Margins :** The company's net profit margins have declined from 0.35% in FY16 to 0.33% in FY17 due to decline in PAT from Rs 0.39 crores in FY16 to Rs 0.33 crores in FY17 due to increase in their depreciation cost. The company undertook capex of the plant in Sitarganj (U.P) because of which interest costs were higher due to increased borrowings
2. **High Gearing :** High gearing has been observed in FY17 of 5.67x due to increase in their long term borrowings and low net worth of Rs 9.24 crores.
3. **Poor Debt Service Indicators :** The company has poor debt service indicators with Interest Service Coverage Ratio of 1.27 times and Debt Service Coverage Ratio of 1.03 times in FY17.
4. **High Inventory Levels:** High inventory levels has been observed in FY17 as the company has introduced many new products in the market but they did not receive good response from the market, resulting in high inventory build up.
5. **Low Liquidity Profile:** The company has low liquidity profile with low current ratio of 1.05x due to increase in their payables.

Rating Outlook: Stable

BWR believes the Associated Appliances Limited 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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.



About the Company

Associated Appliances Limited, incorporated on 21.04.1994, is engaged in the manufacturing of LPG gas stoves, home appliances and electrical appliances. The company has established its manufacturing units at Faridabad and Sitarganj. The company markets its products under the brand name of 'Planet'. The company is managed by Mr. Akshay Sharma and Mrs. Praveen Sharma, directors.

Company Financial Performance

Total operating income (TOI) declined from Rs 109.84 Cr in FY16 to Rs.100.17 Cr. in FY17. PAT declined from Rs 0.39 Cr in FY16 to Rs.0.33 Cr in FY17.

Key Financial Ratios

	FY16	FY17
Net Sales/Revenues	Rs 109.84 Cr	Rs 100.17 Cr
EBIDTA	Rs 8.25 Cr	Rs 7.80 Cr
PAT	Rs 0.39 Cr	Rs 0.33 Cr
Tangible Net Worth	Rs.8.91 Cr	Rs.9.24 Cr
TOL : TNW	5.91 times	5.67 times
Current Ratio	0.99 times	1.05 times

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	Fund Based & Non Fund Based Cash Credit Limit	Long Term	10.00	BWR B+	NA	NA	NA
2.	Non Fund Based Letter of Credit Bank Guarantee	Short Term	11.00 3.00	BWR A4	NA	NA	NA
		Total	Rs 24.00Crores (INR Twenty Four Crores Rupees Only)				

* FY refers to the period from 1st April to 31st March each year

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

Any other information – NIL

Hyperlink/Reference to applicable Criteria

- ❖ [General Criteria](#)
- ❖ [Approach to Financial Ratios](#)
- ❖ [Manufacturing Companies](#)
- ❖ [Short Term Debt](#)

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

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