

**A & D International Private Limited**  
**September 25, 2017**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	8.77	<b>CARE B+; Stable</b> (Single B Plus; Outlook: Stable)	<b>Assigned</b>
Short-term Bank Facilities	1.75	<b>CARE A4 (A Four)</b>	<b>Assigned</b>
<b>Total</b>	<b>10.52</b> (Rupees ten crore and fifty two lakh only)		

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of A & D International Private Limited (A&D) are primarily constrained on account of its nascent stage of operations with net loss, moderate solvency position and stressed liquidity position. The ratings are, further, constrained on account of its presence in highly competitive and fragmented nature of wooden industry and vulnerability of margins to fluctuation in raw material and foreign exchange rate.

The ratings, however, drive strength from experienced management coupled with synergies derived from common marketing and distribution network.

Improvement in the scale of operations with improvement in profitability margins in light of volatile prices of raw material and foreign exchange rates and improvement in the liquidity and solvency position are key rating sensitivities.

**Detailed description of the key rating drivers****Key Rating Weaknesses*****Nascent stage of operations with net loss***

FY17 (provisional, FY refers to period from April 01 to March 31), being the first full year of operation of the company, it has registered TOI of Rs.8.19 crore with PBILDT margin of 19.76%. It has generated 81% from export and remaining through domestic market mainly to its group concern. During 5MFY16 the company registered TOI of Rs.1.94 crore.

However, the company registered net loss of Rs.0.47 crore in FY17 mainly due to higher interest and finance expenses and depreciation in initial years of operations.

Further, the company registered a turnover of Rs 5 crore till August 25, 2017.

***Moderate solvency and stressed liquidity position***

The capital structure of the company stood moderate with overall gearing of 1.15 times as on March 31, 2017. Unsecured loans from promoters & relatives of Rs.9.28 crore are subordinated to bank borrowings and hence, considered as a quasi equity. The debt service coverage indicators stood weak with total debt to GCA stood at 25.11 times as on March 31, 2017. Further, the interest coverage ratio stood low at 1.34 times in FY17.

The liquidity position of the company stood moderate marked by working capital cycle of 90 days in FY17. Further, the current ratio and quick ratio stood below unity level at 0.37 times and 0.18 times as March 31, 2017. The business of the company is working capital intensive nature marked by almost full utilization of its working capital bank borrowings during last twelve months ended July, 2017.

***Competitive and fragmented nature of wooden industry along with foreign exchange fluctuation risk***

The key raw materials required by the wooden handicraft industry are sheesham and mango wood which is procured by A&D from the domestic market and processes the same to make handicrafts items. Due to competitive nature of the industry, A&D is exposed to the risk of inability to pass on the prices of raw material to its customers. Further, A&D is exposed to foreign exchange fluctuation risk as the firm derives majority of its revenue from the export sales. A&D keeps its export receivables un-hedged which exposes it to foreign currency fluctuation risk.

**Key Rating Strengths**

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Experienced management coupled with synergies derived from common marketing and distribution network**

The promoters of the company are present in the same line of business over two decade. The overall affairs of the company are looked after by all the directors. Mr. Ravi Kant Laddha and Mr. Dileep Baid, directors, have more than two decade of experience in the industry and looks after marketing and sales function of the company. Further, Mr. Girish Mehta and Mr. Sandeep Mundra, director, who have more than two decade of experience in the industry, look after production and other functions of the company.

The promoters of the company have also promoted Art Asia and Dileep Industries Private Limited which are in the same line of business. A&D derives synergic benefits in form of experienced promoter and common marketing as well as distribution network between group concerns. Due to longstanding presence of promoters in the industry, the group has established good relations with its customers as well as suppliers and gets repeated orders from its customers.

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology : Factoring Linkages in Ratings](#)

**About the Company**

Jaipur (Rajasthan) based A&D was formed in 2007 as a private limited company by Mr. Ravi Kant Laddha, Mr. Sandeep Mundra, Mr. Girish Mehta and Mr. Dileep Baid under the name "Rustic Furnitures Private Limited". However, in March, 2013 the company purchased a land in SEZ area in Jaipur and later in November, 2013, the name of the company was changed to "A & D International Private Limited". Further, in March 2014, the company undertook a project with total project cost of Rs.20.76 crore to set up a factory unit with a total installed capacity of 2.50 lakh CFPA (Cubic Feet Per Annum).

A&D is engaged in manufacturing and export of wooden furniture and handicraft items like tables, chairs, cabinets, bed, sofas, racks, drawers etc. It majorly exports to the USA, UK, China, Italy and France. Apart from export, the domestic transactions of the company are only with the group concerns. In FY17, more than 80% of Total Operating Income (TOI) was from exports of wooden furniture and handicraft items.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (P)
Total operating income	1.94	8.19
PBILDT	0.03	1.62
PAT	-1.89	-0.47
Overall gearing (times)	12.01	1.15
Interest coverage (times)	0.05	1.34

**Status of non-cooperation with previous CRA:** SMERA has conducted the review on the basis of best available information and has classified A&D International Private Limited as "Not cooperating" vide its press release dated July 20, 2017.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

Name: Mr Abhishek Jain

Tel: 0141-4020213/14

Mobile: +91 9251265875

Email: [abhishek.jain@careratings.com](mailto:abhishek.jain@careratings.com)

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**About CARE Ratings:**

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In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	May, 2022	8.52	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	0.25	CARE B+; Stable
Fund-based - ST-PC/Bill Discounting	-	-	-	1.75	CARE A4

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	8.52	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	0.25	CARE B+; Stable	-	-	-	-
3.	Fund-based - ST-PC/Bill Discounting	ST	1.75	CARE A4	-	-	-	-

## CONTACT

## Head Office Mumbai

**Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CARE Ratings Limited**

(Formerly known as Credit Analysis &amp; Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

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