

A Infrastructure Limited

July 10, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term / Short-term Bank Facilities	10.50	CARE BB+; Stable / CARE A4 (Double B Plus; Outlook: Stable / A Four)	Assigned
Long-term Bank Facilities	47.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Assigned
Short-term Bank Facilities	35.90	CARE A4 (A Four)	Assigned
Total facilities	93.40 (Rupees Ninety-Three crore and Forty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of A Infrastructure Limited (AIL) are constrained on account of declining scale of operations, thin net profit margins, leveraged capital structure, moderate debt coverage indicators and working capital intensive nature of operations. The ratings also remain constrained on account of regulatory risk associated with the use and availability of asbestos.

The above constraints outweigh the benefits derived from the experienced promoters with long track record of operations in asbestos cement sheet and pipes industry and recognised brand backed by established agent / distribution network.

Increase in scale of operations and profitability margins with improvement in capital structure and efficient working capital management are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Declining scale of operations and moderate profitability margins

AIL's scale of operations declined over the past three financial years ended FY16 due to decline in demand of its products. The profitability margins of the company remained moderate. PBILDT margin improved by 10 bps in FY16 over FY15. However, PAT margin declined by 119 bps on y-o-y basis to in FY16.

Leveraged capital structure and weak debt coverage indicators

The capital structure of the company stood leveraged with overall gearing of 2.11 times as on March 31, 2016. The PBILDT interest coverage deteriorated in FY16 as against FY15 on account of lower profitability and higher interest expenses.

Working capital intensive nature of operations

AIL's business is working capital intensive marked by high utilisation of bank limits. The operating cycle elongated at 118 days for FY16.

Regulatory risks associated with the use and availability of asbestos

Concerns remain on the continued availability of asbestos fibre in requisite quantity to meet its requirement in the light of environmental concerns due to its hazardous nature. However, as of now, AIL does not face any shortage of asbestos fibre. Moreover, the same is an industry-wide concern.

Key rating strengths

Experienced promoters with established track record of operations in the AC building material industry

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

ALL is managed by members of Kanoria family who have long experience in AC building material industry. ALL has an established operational track record of more than three decades in the manufacturing of AC building material products.

Recognised regional brand backed by established agent/distribution network

ALL's majority of sales are in the domestic market and it markets its pipes under the brand name of "KIRTI" and its sheets under the brand name of "JAI KIRTI" and "LOTAS" which are well-established in the market and are registered under the Trademark Act.

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](#)

About the Company

ALL initially started its operations with manufacturing of AC pressure pipes. Later in 2006, the company also started with manufacturing of AC sheets. The manufacturing facilities of the company are located at Hamirgarh, Bhilwara (Owned) and Ranip, Ahmedabad (leased facility) with aggregate installed capacity of 1,31,000 metric tonnes (MT) for AC pipes and 1,50,000 MT for AC sheets. The company markets its pipes under the brand name of "KIRTI" and its sheets under the brand name of "JAI KIRTI" and "LOTAS".

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)
Total operating income	256.27	192.26
PBILDT	18.25	13.88
PAT	3.10	0.03
Overall gearing (times)	1.80	2.11
Interest coverage (times)	1.73	1.30

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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/outlook 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-Cash Credit	-	-	-	47.00	CARE BB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	34.50	CARE A4
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	10.50	CARE BB+; Stable / CARE A4
Fund-based - ST-Standby Line of Credit	-	-	-	1.40	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-Cash Credit	LT	47.00	CARE BB+; Stable	-	-	-	-
2.	Non-fund-based - ST-Letter of credit	ST	34.50	CARE A4	-	-	-	-
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	10.50	CARE BB+; Stable / CARE A4	-	-	-	-
4.	Fund-based - ST-Standby Line of Credit	ST	1.40	CARE A4	-	-	-	-

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