



# Rating Report

Asian Fertilizers Limited

NSIC-CRISIL Rating: SE 2B

**'High Performance Capability and  
Moderate Financial Strength'**

Indicates the level of creditworthiness,  
adjudged in relation to other Micro & Small  
Enterprises

Report Date	Valid Till
September 5, 2014	September 4, 2015

CRISIL SME Ratings

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## NSIC-CRISIL PERFORMANCE AND CREDIT RATING

		Financial Strength		
		High	Moderate	Low
Performance Capability	Highest	SE 1 A	SE 1 B	SE 1 C
	High	SE 2 A	SE 2 B	SE 2 C
	Moderate	SE 3 A	SE 3 B	SE 3 C
	Weak	SE 4 A	SE 4 B	SE 4 C
	Poor	SE 5 A	SE 5 B	SE 5 C

## KEY RATING DRIVERS

BUSINESS AND MANAGEMENT	
Strengths	<ul style="list-style-type: none"> <li>▪ <b>Organisational stability:</b> An established track record of 23 years indicates the company's ability to weather through economic and business cycles.</li> <li>▪ <b>Management expertise:</b> Competent promoter has 30 years of experience in the same line of business. This indicates his ability to maintain business viability and steer the business through operational hurdles.</li> <li>▪ <b>Strong customer base:</b> This ensures regular orders and mitigates customer concentration risk. Customers include: <ul style="list-style-type: none"> <li>○ Hindalco Industries Limited (rated 'CRISIL AA/Stable/A1+)</li> <li>○ Indian Farmers Fertiliser Cooperative Limited (rated 'CRISIL AA-/Stable/A1+/GVC Level 2)</li> <li>○ Indian Oil Corporation Limited (rated 'CRISIL AAA/Negative/A1+)</li> </ul> </li> <li>▪ <b>Good scale of operations:</b> The company recorded net sales of Rs.4,914.21 lakh for 2013-14 (refers to financial year, April 1 to March 31)</li> <li>▪ <b>Healthy near-term business certainty:</b> The company projects a turnover of Rs.6,000.00 lakh for 2014-15, and has recorded a turnover of Rs.2450.00 for 2014-15.(refers to financial year April 1 to August 31).</li> <li>▪ <b>Positive industry prospects:</b> CRISIL Research projects consumption of fertiliser nutrients (Urea and complex) to rise at a CAGR of 5.00 to 6.00 per cent over the next five years to reach 70 to 72 million tonnes by 2018-19. Growth in consumption will be driven by higher demand for complex fertiliser products over this period.</li> </ul>
Risk factors	<ul style="list-style-type: none"> <li>▪ <b>Tender-based business:</b> As about 50 per cent of the business is tender based, business certainty inherently depends on the company's ability to win bids and successfully compete with other bidders..</li> <li>▪ <b>Centralised decision-making:</b> The company's second-tier management lacks independent decision-making powers, which makes the business highly dependent on the promoter.</li> <li>▪ <b>Margins may be constrained in the future due to:</b> <ul style="list-style-type: none"> <li>○ Intense competition from established players and new entrants</li> <li>○ Volatility in the price of raw materials</li> <li>○ High labour costs</li> <li>○ Foreign exchange price fluctuation</li> </ul> </li> </ul>

FINANCIAL	
Strengths	<ul style="list-style-type: none"> <li>▪ <b>Financial flexibility:</b> The company's low dependence on external debt provides for exigency funding and protects its profitability from interest payments. This in turn provides the flexibility to reinvest accruals in the business.</li> <li>▪ <b>Good working capital management:</b> Receivables and payables were in line with the company's credit terms over the past three financial years.</li> </ul>
Risk factor	<ul style="list-style-type: none"> <li>▪ <b>Moderate profitability:</b> The company's ability to enhance operational efficiency while scaling up operations remains to be seen, as it registered a moderate operating profit before depreciation, interest, and tax (OPBDIT) margin of 4.05 per cent, profit after tax (PAT) margin of 0.98 per cent, and return on capital employed (RoCE) of 16.83 per cent in 2013-14.</li> </ul>

## FACT SHEET

<b>Name of the company</b>	Asian Fertilizers Limited
<b>Year of incorporation</b>	1986 (commercial operations started in 1991)
<b>Legal status</b>	Public limited company (publicly held)
<b>Legal history</b>	There has been no change in the company's business, management, and constitution since inception.
<b>Registered with</b>	Data not provided to CRISIL
<b>Registration number</b>	
<b>SSI Registration number</b>	090581101935
<b>Managing director</b>	Mr. Ashok Kumar Matanhelia
<b>Category of entrepreneur</b>	General
<b>Listed at</b>	BSE
<b>Share price movements</b>	Suspended due to penal reasons
<b>Registered office</b>	47/81, Hatia Kanpur – 208 001, Uttar Pradesh
<b>Administrative office</b>	PWD, Officers Colony Near Sahara Press, Park Road Gorakhpur – 273 001, Uttar Pradesh Mobile: +91 9415 245 151 Email: <a href="mailto:asianssp16@yahoo.com">asianssp16@yahoo.com</a>
<b>Manufacturing facilities</b>	Deokahia, Sardar Nagar Gorakhpur – 273 202, Uttar Pradesh
<b>Number of employees</b>	Permanent: 53 Contractual: 150 <b>Total: 203</b>
<b>Certifications and awards</b>	None
<b>Brand</b>	
<b>Statutory compliance</b>	<ul style="list-style-type: none"> <li>Income tax filing: Regular and timely</li> <li>Excise duty filing: Regular and timely</li> <li>Sales tax filing: Regular and timely</li> <li>Wealth tax filing: Not applicable</li> <li>ESIC and EPF dues: Regular and timely</li> </ul> <i>(As provided by the management, not independently verified)</i>

## BUSINESS PROFILE

### BUSINESS DESCRIPTION

<b>Nature of business</b>	: Manufacturing
<b>Industry</b>	: Chemical – fertiliser
<b>Industry prospects</b>	: Strong
<b>Business description</b>	<ul style="list-style-type: none"> <li>: <b>Business:</b> The company manufactures fertilisers and mix micronutrients, which are used in various industries including agriculture, sugar, and chemical.</li> <li>▪ <b>Tender-based:</b> Around 50 per cent of the company's business is tender-based and it has a success ratio of 80.00 per cent.</li> <li>▪ <b>Product range:</b> It includes: <ul style="list-style-type: none"> <li>○ Single super phosphate (SSP)</li> <li>○ Sulphuric acid</li> <li>○ Micro nutrients (solid and liquid form) <ul style="list-style-type: none"> <li>➢ Maxozyme</li> <li>➢ Ferrous sulphate</li> <li>➢ Zinc sulphate</li> <li>➢ Mono sulphate</li> <li>➢ Magnesium sulphate</li> </ul> </li> </ul> </li> <li>▪ <b>Raw materials:</b> The key raw materials required include chemicals such as rock phosphate, sulphur, bentonite, zinc ash, sulphuric acid and iron ore, magnesite powder, and seaweed.</li> <li>▪ Around 50 per cent of the sulphuric acid manufactured is used in house to produce micronutrients, and SSP, while the remaining is sold.</li> <li>▪ <b>Imports:</b> The company imports 50.00 per cent of its raw material requirement from the United Arab Emirates (UAE), for which transactions are invoiced in US dollars.</li> <li>▪ <b>Installed capacity:</b> <ul style="list-style-type: none"> <li>○ SSP: 66,000 tonnes per annum</li> <li>○ Sulphuric acid: 33,000 tonnes per annum</li> <li>○ Micronutrients: 9,125 tonnes per annum</li> </ul> </li> <li>▪ <b>Utilisation:</b> Varies, based on the orders received</li> <li>▪ <b>Shifts:</b> Three shifts eight-hours each.</li> <li>▪ <b>Cycle time:</b> Upto one week</li> <li>▪ <b>Inventory:</b> The firm maintains an average inventory of raw materials, and finished goods for 60 days, and 75 days respectively.</li> <li>▪ <b>Price range (per tonne):</b> <ul style="list-style-type: none"> <li>○ SSP: Rs.8,333.00 to Rs.8,883.00</li> <li>○ Sulphuric acid: Rs.4,200 to Rs.4,500.00</li> <li>○ Maxozyme: Rs.4,000.00</li> <li>○ Ferrous sulphate: Rs.9,363.00</li> <li>○ Zinc sulphate: Rs.30,000</li> <li>○ Mono sulphate: Rs.31,300.00</li> <li>○ Magnesium sulphate: Rs.8,130.00</li> </ul> </li> <li>▪ <b>Quality:</b> Mr. R P Yadav (Manager/Production) checks the quality of raw materials and finished products along with four assistants.</li> <li>▪ <b>Research and development (R&amp;D):</b> The company has</li> </ul>



		<p>an in-house team of four peronnel to conduct research and development activities, facilitated with a well-equipped laboratory to test quality of chemicals.</p> <ul style="list-style-type: none"> <li>▪ The peak season for business is July to December.</li> </ul>
<b>End-user industries</b>	:	Multiple
<b>Experience in the business</b>	:	23 years
<b>Product range</b>	:	Diverse
<b>Degree of competition</b>	:	High; entry barriers are low
<b>Plans</b>	:	The company does not have any near-term expansion or diversification plans.
<b>Customer profile</b>	:	<ul style="list-style-type: none"> <li>▪ Distributors and wholesalers: 40.00 per cent</li> <li>▪ Direct customers:60.00 per cent</li> </ul>

## PRODUCT PROFILE

Product name	Share in net sales (%)
SSP	80.00
Sulphuric acid	15.00
Micronutrients	5.00
<b>Total</b>	<b>100.00</b>

## CUSTOMER PROFILE AND DEMAND-SIDE ANALYSIS

Customer name and location	Product	Length of relationship	% share in sales
UP Agro Fertilisers Limited, Uttar Pradesh	SSP and micronutrients, and sulphuric acid	1 year	15.00
National Thermal Power Corporation Limited (NTPC), Jharkhand		23 years	13.25
Aditya Birla Chemicals (India) Limited, Uttar Pradesh			10.00
Mayur Chemicals Industries, Bihar			10.00
Balrampur Chini Mills Limited, Uttar Pradesh		20 years	10.00
Hindalco Industries Limited, Jharkhand (rated 'CRISIL AA/Stable/A1+')			10.00
Indian Oil Corporation Limited, Uttar Pradesh (rated 'CRISIL AAA/Negative/A1+')			10.00
Indian Farmers Fertiliser Cooperative Limited (IFFCO), Allahabad (rated 'CRISIL AA-/Stable/A1+/GVC Level 2')			10.00
Shriram Chemicals and Fertilisers Limited, Rajasthan		15 years	6.75
Others		1 year	5.00

**Notes:** The company caters to around 100 customers across India.

Terms of credit	:	Credit upto 30 days
Process of getting orders	:	<ul style="list-style-type: none"> <li>Tender-based: 50.00 per cent</li> <li>Regular orders: 50.00 per cent</li> </ul>
Exports	:	Nil
Marketing network	:	<ul style="list-style-type: none"> <li>The company has a seven-member marketing team, headed by Mr. Siddhki (Manager/Marketing) for marketing activities.</li> <li>It also markets its products through: <ul style="list-style-type: none"> <li>Telephone and email queries</li> <li>Word-of-mouth publicity</li> </ul> </li> </ul>
Geographical reach	:	Well-spread

## SUPPLIER PROFILE AND SUPPLY-SIDE ANALYSIS

Supplier's/Wholesaler's name	Product	Length of relationship
Rajasthan State Mines and Minerals limited (RSMML)	Rock phosphate, sulphur, bentonite, seaweeds, zinc ash, sulphuric acid, iron ore, and magnesite powder	23 years
Gujarat Petrosynthese Limited		
Reliance Industries Limited		
IndianOil Corporation Limited		

### Notes:

- The company has around four domestic suppliers.
- The company imports 50.00 per cent of its raw material from the UAE, for which transactions are invoiced in US dollars.

Terms of purchase	:	Advance payment
Raw material availability	:	Ample
Raw material price volatility	:	High
Ability to pass on raw material price increases	:	No
Imports	:	50.00 per cent of the total raw materials purchased

## MANUFACTURING FACILITIES

Labour-oriented operations	:	Yes
Labour union	:	No
Labour relationships	:	Cordial
CNC machines, CAD, CAM, automation	:	Yes (Semi-automated)
In-house R&D, designing facilities	:	Yes
Factory layout	:	Spacious and well organised

### Notes:

- Mr. Aarti Yadav (Manager/Production) checks the quality of raw materials and finished products along with four assistants.
- The company has a well-equipped laboratory to test quality of chemicals and to facilitate R&D.

# INDUSTRY OUTLOOK

## Fertilisers

Outlook: Positive

### Industry Overview

The fertilisers industry plays an integral role in boosting agricultural yield since area under cultivation can only be increased marginally. Fertilisers are categorised as organic fertilisers and chemical fertilisers, of which, the latter are more widely used. Chemical fertilisers can broadly be categorised into nitrogenous, phosphatic, potassic and complex fertilisers. In India, nitrogenous fertilisers account for the bulk of consumption followed by phosphatic fertilisers. Urea accounts for close to 80.00 per cent of nitrogenous fertiliser consumption (nutrient).

India is among the leading producers and consumers of urea in the world. The government controls have influenced the extent of investments in the fertilisers industry, degree of competition and marketing and distribution strategies of players. The fertilisers industry like other manufacturing industries is highly capital intensive. The average cost of setting up a greenfield urea project is approximately Rs 45.00 to 50.00 billion (natural gas based with 1.30 million tonne capacity). The average construction period for a new plant is 45 to 50 months. The most distinct characteristic of the fertilisers industry is its high dependence on monsoons for growth in demand. Fertiliser demand picks up during seasons of good rainfall, which helps the companies improve their financial performance through volume growth and vice versa during the drought period. India is highly dependent on imports of raw materials used for manufacture of phosphatic and potassic fertilisers due to its unavailability in the domestic market. Retail prices of urea are under government control while that of non urea fertilisers are deregulated.

### Industry Outlook

CRISIL Research projects consumption of fertiliser nutrients (Urea and complex) to rise at a CAGR of 5 to 6 per cent over the next five years to reach 70 to 72 million tonnes by 2018-19. Growth in consumption will be driven by higher demand for complex fertiliser products over this period.

Lack of necessary incentives has limited any fresh urea capacity additions in the sector, as India continues to meet about 20.00 to 25.00 per cent of its requirements through imports. With the new investment policy cleared by the government, we expect urea capacity to increase by around 9.5 to 10.00 million tonnes by 2018-19. Competition in this industry is expected to remain muted. We expect operating profits of players in this sector to remain rangebound in 2014-15 as retail prices and raw material costs are expected to remain unchanged. The total subsidy burden of the government in 2014-15 is expected to be higher by around 15.00 per cent y-o-y at Rs. 720.00 to 730.00 billion.

Growth drivers	Key risks
<ul style="list-style-type: none"> <li>▪ <b>Minimum support price (MSP) for the crop</b> - The government declares crop MSPs each year with a view to ensure a basic farm income level for farmers. Over the years, rising MSPs have resulted in greater income in the hands of farmers. High MSPs also incentivise increased fertiliser application to maximise farm productivity.</li> <li>▪ <b>Government policies</b> – Cheaper credit availability for the farmers in the form of government schemes act as an incentive for fertiliser sales. The new urea investment policy favouring domestic manufacturers, which in turn will boost the urea production.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Rainfall</b> - Over 55.00 per cent of total agricultural land in India is still dependent on rainfall due to limited irrigation infrastructure development. Hence, the vagaries of monsoon have a considerable impact on fertiliser consumption.</li> <li>▪ <b>Feedstock availability</b> - In complex fertilisers 50.00 per cent of the feedstock is imported, while in urea manufacturing, availability of gas is an issue.</li> <li>▪ <b>Feedstock pricing and exchange rate</b> – Due to significant imports of feedstock for non urea fertilisers, changes in feedstock prices as well as exchange rate fluctuations impact the profitability of players.</li> <li>▪ <b>Timely receipt of subsidy</b> – Delay in payment of subsidy can result in higher working capital requirement and increase interest cost for fertiliser companies.</li> </ul>

(Source: CRISIL Research)



Photographs of the site visited:



## OWNERSHIP AND MANAGEMENT

### PROMOTERS' PROFILE

<b>Promoter's name</b>	:	Mr. Ashok Kumar Matanhelia
<b>Age</b>	:	58 years
<b>Qualification</b>	:	BCom
<b>Designation/responsibilities</b>	:	Managing Director/Overall management
<b>Relevant experience</b>	:	30 years (23 years through the rated company)
<b>Personal net worth</b>	:	Rs.113.32 lakh
<b>Promoter's residence address</b>	:	789, Rapti Nagar Gorakhpur, Uttar Pradesh
<b>Ownership of residence</b>	:	Owned
<b>Vehicles used</b>	:	Skoda Yeti, and Toyota Fortuner

<b>Promoter's name</b>	:	Mr. Somil Matanhelia
<b>Age</b>	:	30 years
<b>Qualification</b>	:	MBA (Marketing and finance)
<b>Designation/responsibilities</b>	:	Director/Overall management
<b>Relevant experience</b>	:	Seven years through the rated company
<b>Personal net worth</b>	:	Rs.34.75 lakh

<b>Promoter's name</b>	:	Mr. G N Gupta
<b>Age</b>	:	83 years
<b>Qualification</b>	:	MSc, LLM
<b>Designation/responsibilities</b>	:	Chairman/Inactive
<b>Relevant experience</b>	:	Not applicable
<b>Personal net worth</b>	:	

<b>Promoter's name</b>	:	Mrs. Usha Matanhelia
<b>Age</b>	:	53 years
<b>Qualification</b>	:	Graduate
<b>Designation/responsibilities</b>	:	Director/Inactive
<b>Relevant experience</b>	:	Not applicable
<b>Personal net worth</b>	:	

<b>Promoter's name</b>	:	Mr. P K Matanhelia
<b>Age</b>	:	57 years
<b>Qualification</b>	:	Graduate
<b>Designation/responsibilities</b>	:	Director/Inactive
<b>Relevant experience</b>	:	Not applicable
<b>Personal net worth</b>	:	

<b>Promoter's name</b>	:	Mr. Anurag Tulsian
<b>Age</b>	:	40 years
<b>Qualification</b>	:	CA
<b>Designation/responsibilities</b>	:	Director/Inactive
<b>Relevant experience</b>	:	Not applicable
<b>Personal net worth</b>	:	

<b>Promoter's name</b>	:	Mr. K C Madan
<b>Age</b>	:	81 years
<b>Qualification</b>	:	BSc
<b>Designation/responsibilities</b>	:	Director/Inactive
<b>Relevant experience</b>	:	Not applicable
<b>Personal net worth</b>	:	

## KEY MANAGEMENT PERSONNEL

<b>Name</b>	:	Mr. S S Pandey
<b>Age</b>	:	57 years
<b>Qualification</b>	:	MCom
<b>Designation/responsibilities</b>	:	Manager/Accounts
<b>Relevant experience</b>	:	24 years (10 years through the rated company)

<b>Name</b>	:	Mr. R P Yadav
<b>Age</b>	:	53 years
<b>Qualification</b>	:	Diploma in chemical engineering
<b>Designation/responsibilities</b>	:	Head/Production
<b>Relevant experience</b>	:	22 years

<b>Name</b>	:	Mr. M S Siddhki
<b>Age</b>	:	48 years
<b>Qualification</b>	:	MBA (Marketing)
<b>Designation/responsibilities</b>	:	Manager/Marketing
<b>Relevant experience</b>	:	22 years



<b>Name</b>	:	Mr. D N Jha
<b>Age</b>	:	60 years
<b>Qualification</b>	:	BTech
<b>Designation/responsibilities</b>	:	Manager/Overall management
<b>Relevant experience</b>	:	Six years through the rated company

## ORGANISATION STRUCTURE, CONTROLS, AND SYSTEMS

<b>Managing Director</b>	:	Mr. Ashok Kumar Matanhelia
<b>Constitution</b>	:	Public limited company (publicly held)
<b>Second-tier management</b>	:	Qualified and experienced
<b>Decision-making powers</b>	:	Centralised with the promoters
<b>Reporting system or MIS</b>	:	Yes
<b>Type of reporting system</b>	:	Computerised
<b>Frequency of MIS/reporting</b>	:	Daily
<b>Litigation against the SSI</b>	:	None
<b>Litigation against the promoters</b>	:	
<b>Severity of litigation</b>	:	Not applicable
<b>Susceptibility to foreign exchange fluctuations</b>	:	Yes
<b>Hedging against foreign exchange risks</b>	:	No
<b>Susceptibility to commodity price fluctuations</b>	:	Not applicable
<b>Hedging against commodity prices</b>	:	
<b>Asset insurance</b>	:	Adequate

## OWNERSHIP PATTERN

Shareholding pattern as on:

March 31, 2014

<b>Name of the shareholder</b>	<b>Relationship with promoter</b>	<b>Share in capital (%)</b>
<b>Individual/HUF (Promoter stake)</b>	Promoter and family	<b>35.93</b>
Mr. Ashok Kumar Matanhelia		
Mr. Somil Matanhelia		
Mr. G N Gupta		
Mrs. Usha Matanhelia		
Mr. P K Matanhelia		
Mr. Anurag Tulsian		
<b>Public</b>		<b>64.07</b>
Institutional		1.18
Non-institutional		62.89
	<b>Total</b>	<b>100.00</b>

## GROUP COMPANIES AND FIRMS

There is no group firm/company.

## FINANCIAL PROFILE

### CURRENT FINANCIAL PERFORMANCE

Performance from April 1, 2014 to August 31, 2014		
Net sales	Rs. Lakh	2,450.00
PBT (approximation)	Rs. Lakh	Data not provided to CRISIL
PBT % (approximation)	%	
Current order book	Rs. Lakh	
Debtors	Rs. Lakh	
Creditors	Rs. Lakh	
Capital	Rs. Lakh	
Debt	Rs. Lakh	

Projected performance in		2014-15
Net sales	Rs. Lakh	6,000.00
PBT	Rs. Lakh	Data not provided to CRISIL
PBT margin	%	

## PAST FINANCIAL PERFORMANCE

### PROFIT AND LOSS ACCOUNT

For the year ended		2013-14	2012-13	2011-12
		Provisional	Audited	Audited
Number of months		12	12	12
Net sales	Rs. Lakh	4,914.21	5,963.78	5,610.14
Operating income	Rs. Lakh	4,916.19	5,964.20	5,610.22
Cost of sales	Rs. Lakh	4,716.99	5,620.47	5,163.27
OPBDIT	Rs. Lakh	199.20	343.73	446.95
Interest and finance costs	Rs. Lakh	125.07	200.15	197.82
OPBDT	Rs. Lakh	74.13	143.58	249.13
Depreciation	Rs. Lakh	32.89	27.54	26.45
OPBT	Rs. Lakh	41.24	116.04	222.68
Non-operating income/(expense)	Rs. Lakh	36.57	18.03	8.63
PBT	Rs. Lakh	77.81	134.07	231.31
Extraordinary income/(expense)	Rs. Lakh	-	-	-
Reported PBT	Rs. Lakh	77.81	134.07	231.31
Provision for taxes	Rs. Lakh	22.90	52.21	52.32
Deferred tax liability/(asset)	Rs. Lakh	6.59	-1.38	34.66
PAT	Rs. Lakh	48.32	83.24	144.33
Dividends	Rs. Lakh	-	-	-
Net cash accruals	Rs. Lakh	81.21	110.78	170.78

#### Notes:

- Net sales declined in 2013-14 owing to less demand from the agricultural sector because of a weak monsoon in the previous year.
- Net sales increased in 2012-13 on account of good monsoon and increased marketing activities.
- Operating income over the past three years includes income from sale of scrap and sludge.
- Interest and finance costs for the year ended March 31, 2014 comprise interest on borrowings worth Rs.116.10 lakh and bank charges worth Rs.8.97 lakh.
- Interest and finance costs decreased in 2013-14 on account of high year-end utilisation of short-term debt.
- Interest and finance costs for the year ended March 31, 2013 comprise interest on borrowings worth Rs.190.94 lakh and bank charges worth Rs.9.21 lakh.
- Interest and finance costs for the year ended March 31, 2012 comprise interest on borrowings worth Rs.196.60 lakh and bank charges worth Rs.1.22 lakh.
- Depreciation is charged according to the provisions of the Companies Act, 1956.
- Depreciation increased in 2013-14 on account of addition of fixed assets.
- Non-operating income in 2013-14 comprises interest received on fixed deposit of Rs.34.06 lakh and miscellaneous income of Rs.2.51 lakh.
- Non-operating income in 2012-13 comprises interest received on fixed deposit of Rs.18.00 lakh and excess provision written back of Rs.0.03 lakh.
- Non-operating income in 2011-12 comprises interest received on fixed deposit of Rs.8.16 lakh and excess provision written back of Rs.0.47 lakh.
- Deferred tax has been provided over the past three years according to the provisions of the Companies Act, 1956.

## BALANCE SHEET

As at		31-Mar-2014	31-Mar-2013	31-Mar-2012
		Provisional	Audited	Audited
<b>Liabilities</b>				
Tangible net worth	Rs. Lakh	848.16	799.84	716.61
Deferred tax liabilities/(assets)	Rs. Lakh	39.87	33.28	34.66
Long-term debt	Rs. Lakh	1.84	5.55	10.38
<i>of which, current portion of long-term debt</i>	<i>Rs. Lakh</i>	<i>1.53</i>	<i>5.24</i>	<i>6.40</i>
Short-term debt	Rs. Lakh	409.73	272.03	195.10
<i>of which, working capital borrowing from banks</i>	<i>Rs. Lakh</i>	<i>409.73</i>	<i>272.03</i>	<i>195.10</i>
Other liabilities and provisions	Rs. Lakh	689.07	484.60	473.06
<b>Total liabilities</b>	<b>Rs. Lakh</b>	<b>1,988.67</b>	<b>1,595.30</b>	<b>1,429.81</b>
<b>Assets</b>				
Net fixed assets	Rs. Lakh	467.80	446.51	363.43
Investments	Rs. Lakh	-	-	-
Inventory	Rs. Lakh	828.55	595.48	641.60
Receivables (total)	Rs. Lakh	174.07	109.34	114.58
<i>of which, receivables greater than six months</i>	<i>Rs. Lakh</i>	<i>50.40</i>	<i>41.11</i>	<i>38.73</i>
Cash and bank balance	Rs. Lakh	129.80	104.41	90.90
Other current assets	Rs. Lakh	388.44	339.56	219.30
<b>Total assets</b>	<b>Rs. Lakh</b>	<b>1,988.66</b>	<b>1,595.30</b>	<b>1,429.81</b>

### Notes:

- Long-term debt as on March 31, 2014 refers to unsecured loan from promoters and family (interest payout not provided to CRISIL).
- Short-term debt as on March 31, 2014 comprises working capital demand loan of Rs.355.30 lakh, and overdraft facility of Rs.54.43 lakh availed from Bank of Baroda.
- Other liabilities and provisions as on March 31, 2014 comprise trade payables of Rs.206.19 lakh, provision for gratuity of Rs.26.44 lakh, advance from customers of Rs.175.06 lakh, and other liabilities (details not provided to CRISIL) of Rs.272.99 lakh, and short-term provisions of Rs.8.38 lakh.
- Capital work in progress of Rs.84.32 was capitalised in 2013-14.
- Fixed assets of Rs.54.18 lakh were added in 2013-14, including:
  - Building: Rs.46.13 lakh
  - Plant and machinery: Rs.6.99 lakh
  - Office equipment: Rs.1.06 lakh
  - Computer: Rs.0.28 lakh
- Inventory as on March 31, 2014 comprises stock of:
  - Raw materials: Rs.405.30 lakh
  - Work-in-progress: Rs.120.08 lakh
  - Finished goods: Rs.159.04 lakh
  - Store and spares: Rs.129.63 lakh
  - Scrap and waste: Rs.14.50 lakh
- Other current assets as on March 31, 2014 comprise:
  - Security deposits: Rs.52.46 lakh
  - Interest accrued on fixed deposit: Rs.4.80 lakh
  - Other loans: Rs.204.25 lakh
  - Advance income tax: Rs.4.01 lakh
  - Other advances recoverable: Rs.69.39 lakh
  - Other claims receivable: Rs.48.15 lakh
  - Prepaid expenses: Rs.5.35 lakh

## KEY FINANCIAL RATIOS

For the year ended		31-Mar-2014 Provisional	31-Mar-2013 Audited	31-Mar-2012 Audited
OPBDIT margin	%	4.05	5.76	7.97
PAT margin	%	0.98	1.40	2.57
Return on capital employed	%	16.83	32.33	NM
Gross current assets	days	113	70	69
Days inventory (on COP)	days	64	39	45
Days receivable (on gross sales)	days	13	7	7
Days payable (on materials)	days	21	12	13
Current ratio	Times	1.38	1.51	1.58
PBDIT Interest cover	Times	1.89	1.81	2.30
Net cash accruals/Total debt	%	19.73	39.91	83.12
Debt service coverage ratio	Times	1.26	1.42	NM
Average cost of borrowing	%	36.30	82.87	
Total outside liabilities/Tangible net worth	Times	1.34	0.99	1.00
Gearing - Total debt/Tangible net worth	Times	0.49	0.35	0.29
Gearing (not including promoter loans as debt)	Times	0.48	0.34	0.28

NM: Not Meaningful

### Notes:

- Operating margin declined in 2013-14 on account of increase in employee costs and other expenses as a per cent of sales.
- Operating margin declined in 2012-13 on account of increase in cost of raw materials and other expenses as a per cent of sales.
- Receivables and payables were in line with the company's credit terms over the past three years.
- Average cost of borrowing decreased in 2013-14 on account of high year-end utilisation of short-term debt.

## FUND FLOW STATEMENT

For the year ended		31-Mar-2014	31-Mar-2013
<b>Sources of funds</b>			
Net cash accruals	Rs. Lakh	81.21	110.78
Equity infusion/Share application money	Rs. Lakh	-	-
Long-term debt borrowed (net)	Rs. Lakh	-	-
Short-term debt borrowed (net)	Rs. Lakh	133.99	75.77
Decrease in net current assets	Rs. Lakh	-	-
Sale of investments/fixed assets	Rs. Lakh	-	-
Other sources	Rs. Lakh	6.59	-
<b>Total sources of funds</b>	<b>Rs. Lakh</b>	<b>221.79</b>	<b>186.55</b>
<b>Uses of funds</b>			
Investment and fixed assets purchased	Rs. Lakh	54.18	112.01
Decrease in tangible net worth	Rs. Lakh	-	-
Long-term debt repaid (net)	Rs. Lakh	-	3.67
Short-term debt repaid (net)	Rs. Lakh	-	-
Increase in net current assets	Rs. Lakh	158.32	68.49
Other uses	Rs. Lakh	9.29	2.38
<b>Total uses of funds</b>	<b>Rs. Lakh</b>	<b>221.79</b>	<b>186.55</b>

**Notes:** Other sources and other uses as on March 31, 2014 refer to receivables greater than six months, which have not been recovered.

## CONTINGENT LIABILITIES

**Contingent liabilities as on March 31, 2013:**

Counter guarantees to bank	Rs. Lakh	127.90
Bills discounted but not matured	Rs. Lakh	-
Guarantees to subsidiaries and affiliates	Rs. Lakh	-
Outstanding letter of credit	Rs. Lakh	-
Estimated amount of contracts remaining to be executed on capital account	Rs. Lakh	-

## AUDITORS

Kapoor Tandon and Company, Chartered Accountants  
Gorakhpur, Uttar Pradesh

**Auditors' comments and observations in their audit report for 2012-13, and 2011-12:**

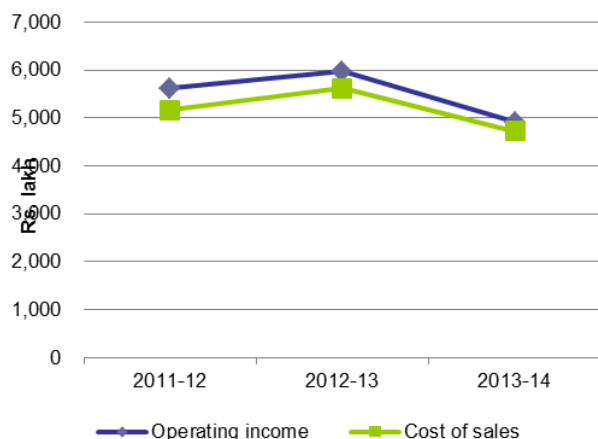
No adverse comments and observations

**Change in auditors, if any:**

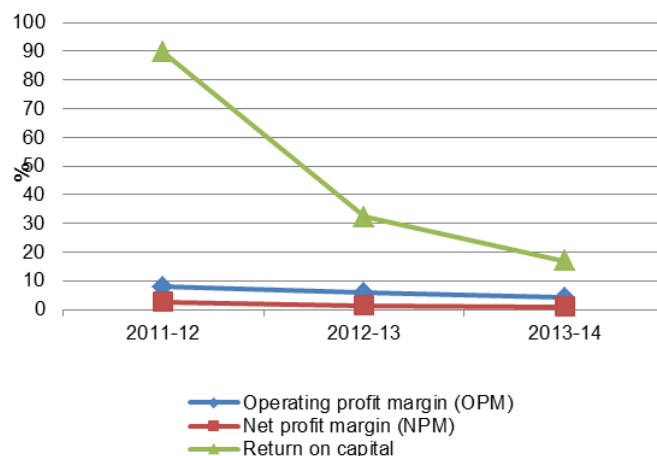
None

## GRAPHS

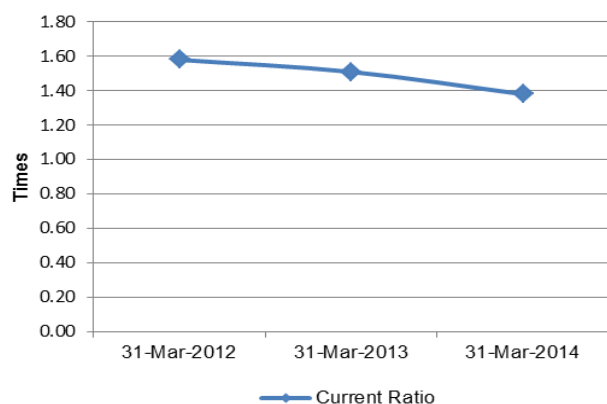
### Turnover and business growth analysis



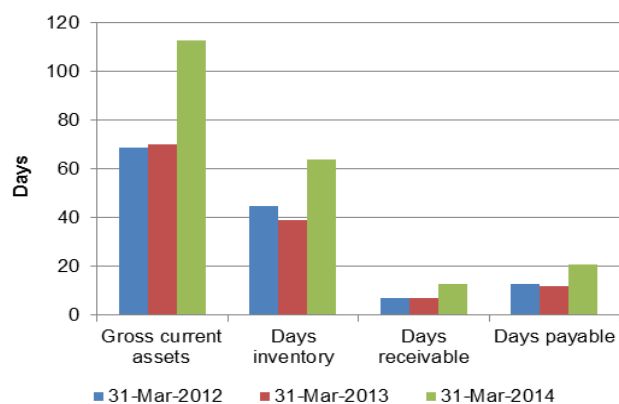
### Profitability analysis



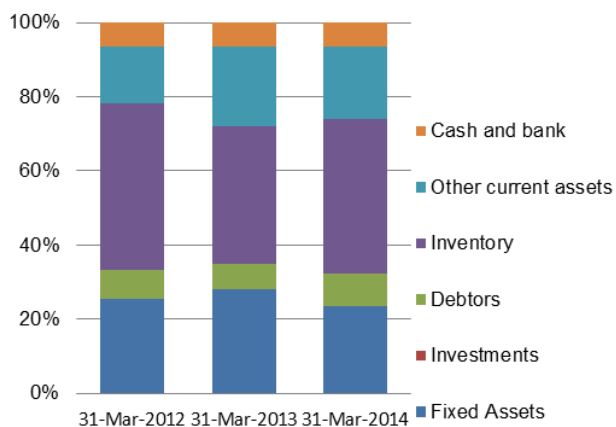
### Liquidity analysis



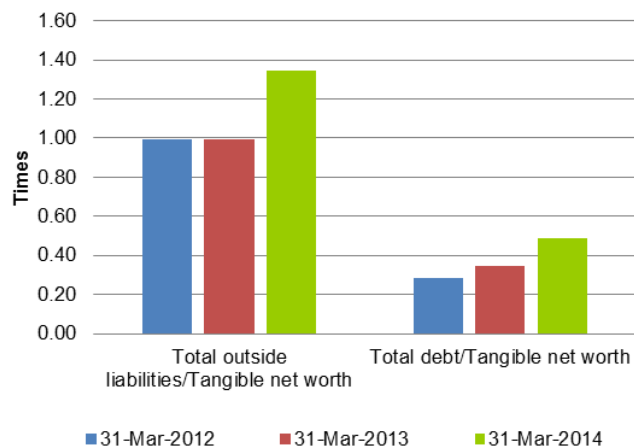
### Working capital analysis



### Asset Profile



### Leverage analysis



## BANKING FACILITIES

Bank name and location	Length of relationship	Facilities availed	Type of facility	Loan amount	Rate (%)
Bank of Baroda Gorakhpur, Uttar Pradesh	5 years	Cash credit	Fund-based limit	Rs.400.00 lakh	12.65
		Bank overdraft		Rs.54.43 lakh	
		Term loan		Rs.20.50 lakh*	10.50
		Bank guarantee	Non-fund-based limit	Rs.200.00 lakh	Not applicable

*\*Outstanding as on March 31, 2014*

**Feedback:** Performance of the account is good. (CRISIL has received this information verbally from the bank).



## SITE VISIT

<b>Address of the site visited</b>	:	Deokahia, Sardar Nagar Gorakhpur – 273 202, Uttar Pradesh
<b>Date of site visit</b>	:	September 8, 2014
<b>No. of floors occupied</b>	:	One
<b>Size of premises</b>	:	1,21,406 square metres
<b>Number of employees at the location</b>	:	64 (at the time of site visit)
<b>Child labour at the site</b>	:	No
<b>Locality</b>	:	Commercial
<b>Location area</b>	:	Rural
<b>Site location</b>	:	Side lanes
<b>Site used as</b>	:	Factory or works
<b>Site layout</b>	:	Spacious and well organised
<b>Space around the building/structure</b>	:	<ul style="list-style-type: none"> <li>▪ Front porch</li> <li>▪ Backyard</li> <li>▪ Side space</li> </ul>
<b>State of infrastructure</b>	:	<ul style="list-style-type: none"> <li>▪ Power: Stable</li> <li>▪ Backup power: Available</li> <li>▪ Water: Available</li> <li>▪ Labour unions: Exist</li> <li>▪ Transportation: Easily available</li> <li>▪ Overall infrastructure: Satisfactory</li> </ul>
<b>Electricity consumption</b>	:	<ul style="list-style-type: none"> <li>▪ June, 2014: 846 units</li> <li>▪ July, 2014: 886 units</li> <li>▪ August, 2014: 922 units</li> </ul>
<b>Building structure</b>	:	Permanent structure
<b>Ownership of premises</b>	:	Owned
<b>Sharing premises with group firm/company</b>	:	No
<b>Facilities available at the site</b>	:	<ul style="list-style-type: none"> <li>▪ Telephone</li> <li>▪ Generator</li> <li>▪ Boundary wall</li> <li>▪ Security guards</li> <li>▪ Nameplate/signboard</li> <li>▪ Fire extinguisher</li> <li>▪ Drinking water</li> <li>▪ Pantry or canteen facilities</li> <li>▪ Transport arrangements</li> </ul>

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## CRISIL SME Ratings Contacts

### Head Office

CRISIL House  
Central Avenue,  
Hiranandani Business Park,  
Powai, Mumbai 400 076  
Tel: +91 22 3342 3000 / 8400  
Fax: +91 22 3342 3757  
**Contact:**  
Mr. Avinash Gidwani  
**E-mail:** avinash.gidwani@crisil.com  
Mr. Sujit Agrawal  
**E-mail:** sujit.agrawal1@crisil.com  
Mr. Avinash Jha  
**E-mail:** avinash.jha@crisil.com

### CRISIL Branch Offices

#### Ahmedabad

Unit No. 706, 7th Floor,  
Venus Atlantis, Prahladnagar,  
Satellite, Ahmedabad - 380015  
Tel: +91 79 4024 4500  
Fax: +91 79 4024 4520  
**Contact:** Mr. Devesh Kemkar  
**E-mail:** devesh.kemkar@crisil.com

#### Bengaluru

W 101, Sunrise Chambers,  
22, Ulsoor Road, Bengaluru 560 042  
Tel: +91 80 2558 0899  
Fax: +91 80 2559 4801  
**Contact:**  
Mr. Sudhir Narayan  
**E-mail:** sudhir.narayan@crisil.com  
Mr. Prashant Menon  
**E-mail:** prashant.menon@crisil.com  
Mr. Devegowda S.  
**E-mail:** devegowda.s@crisil.com

#### Chennai

Thapar House, Mezzanine Floor,  
43/44, Montieth Road, Egmore  
Chennai 600 008  
Tel: +91 44 6616 3100  
Fax: +91 44 2854 7531  
**Contact:**  
Mr. B. Venugopal  
**E-mail:** b.venugopal@crisil.com  
Mr. Muthiah.C  
**E-mail:** muthiah.c@crisil.com

#### New Delhi

Plot no: 46, Sector: 44,  
Opposite Provident Fund Office,  
Gurgaon 122 003  
Tel: +91 124 672 2402  
Fax: +91 124 672 2001  
**Contact:**  
Mr. Salil Chaturvedi  
**E-mail:** salil.chaturvedi@crisil.com  
Mr. Kunal Raman  
**E-mail:** kunal.raman@crisil.com  
Mr. Chayan Gulati  
**E-mail:** chayan.gulati@crisil.com

#### Hyderabad

3<sup>rd</sup> Floor, Uma Chamber,  
Plot no 9&10, Nagarjuna Hills,  
Punjagutta, Hyderabad 500 082  
Tel: +91 40 2335 8103/05  
Fax: +91 40 2335 7507  
**Contact:** Mr. Mansur Basha  
**E-mail:** mansur.basha@crisil.com

#### Kolkata

HORIZON, 4th Floor, Block B,  
57, Chowringhee Road,  
Kolkata 700 071  
Tel: +91 33 2289 1949/4011 8200  
Fax: +91 33 2283 0597  
**Contact:**  
Mr. Sambit Das  
**E-mail:** sambit.das@crisil.com  
Ms. Jhumur Chowdhury  
**E-mail:** jhumur.chowdhury@crisil.com  
Mr. Rashid Raza Jafri  
**E-mail:** rashid.syed@crisil.com  
Mr. Abhik Sen  
**E-mail:** abhik.sen@crisil.com

#### Pune

1187/17, Ghole Road,  
Shivaji Nagar, Pune 411 005  
Tel: +91 20 4018 1900  
Fax: +91 20 4018 1930  
**Contact:**  
Mr. Rahul Prasad  
**E-mail:** rahul.prasad@crisil.com  
Mr. Uday Revankar  
**E-mail:** uday.revankar@crisil.com

### Other Contact Points

#### Aurangabad

**Contact:** Mr. Khushal Rupwate  
**E-mail:** khushal.rupwate@crisil.com

#### Bhubaneswar

**Contact:** Mr. Abhik Sen  
**E-mail:** abhik.sen@crisil.com

#### Coimbatore

**Contact:** Mr. Abraham L  
**E-mail:** abraham.l@crisil.com  
Tel: +91 422 224 4559

#### Ghaziabad

**Contact:** Mr. Sourabh Bajpai  
**E-mail:** sourabh.bajpai@crisil.com

#### Haridwar

**Contact:** Mr. Manish Singh  
**E-mail:** manish.singh@crisil.com

#### Hubli

**Contact:** Mr. Prashant Menon  
**E-mail:** prashant.menon@crisil.com  
Tel: +91 836 2256 777

#### Indore

**Contact:**  
Mr. Nikhil Narayan Soni  
**E-mail:** nikhil.soni@crisil.com  
Mr. Amit Shrivastava  
**E-mail:** amit.shrivastava@crisil.com  
Tel: +91 161 501 1575

#### Jaipur

**Contact:** Mr. Ankit Modi  
**E-mail:** ankit.modi@crisil.com  
Tel: +91 141 302 1688/81

#### Jamshedpur

**Contact:** Mr. Abhishek Kumar  
**E-mail:** abhishek.kumar@crisil.com  
Tel: +91 657 654 5958

#### Jalandhar

**Contact:** Mr. Sandeep Miglani  
**Email:** sandeep.miglani@crisil.com

#### Kanpur

**Contact:** Mr. Sameer Singh  
**E-mail:** sameer.singh@crisil.com

#### Kochi

**Contact:** Mr. Martin George  
**Email:** martin.george@crisil.com

#### Ludhiana

**Contact:**  
Mr. Abhinandan Sharda  
**E-mail:** abhinandan.sharda@crisil.com  
Mr. Amit Sharna  
**E-mail:** amit.sharma@crisil.com  
Mr. Apjeet Singh Brar  
**E-mail:** apjeet.brar@crisil.com  
Tel: +91 161 501 1575

#### Mohali/ Chandigarh

**Contact:**  
Mr. Sudhir Rana  
**E-mail:** sudhir.rana@crisil.com  
Mr. Dharmesh Handa  
**E-mail:** dharmesh.handa@crisil.com  
Tel: +91 172 502 7197 / 196

#### Nagpur

**Contact:** Mr. Shriganesh Pardhi  
**E-mail:** shriganesh.pardhi@crisil.com

#### Nashik

**Contact:** Mr. Pratik Shukla  
**E-mail:** pratik.shukla@crisil.com  
Tel: +91 253 6099 244

#### Noida

**Contact:** Mr. Prabhanshu Srivastava  
**E-mail:** prabhanshu.srivastava@crisil.com

#### Panipat

**Contact:** Mr. Vishal Verma  
**E-mail:** vishal.verma@crisil.com  
Tel: +91 180 401 6045 / 5045

#### Rajkot

**Contact:** Mr. Devesh Kemkar  
**E-mail:** devesh.kemkar@crisil.com

#### Raipur

**Contact:** Mr. Priyank Mahalaha  
**E-mail:** priyank.mahalaha@crisil.com  
Tel: +91 771 409 9997

#### Surat

**Contact:** Mr. Piyush Revdiwala  
**E-mail:** piyush.revdiwala@crisil.com  
Tel: +91 261 400 2230

#### Trichy

**Contact:** Mr. B. Balakrishnan  
**Email:** balakrishnan.b@crisil.com

#### Vadodara

**Contact:** Mr. Tushar Joshi  
**E-mail:** tushar.joshi@crisil.com  
Tel: +91 265 3025 946

#### Vapi

**Contact:** Mr. Piyush Revdiwala  
**E-mail:** piyush.revdiwala@crisil.com

#### Vashi

**Contact:** Mr. Pankaj Ojha  
**E-mail:** pankaj.ojha@crisil.com

#### Visakhapatnam

**Contact:** Mr. Kanuparth Vamsi  
**E-mail:** vamsi.kanuparth@crisil.com  
Tel: +91 891 6661 770



CRISIL House, Central Avenue,  
Hiranandani Business Park, Powai,  
Mumbai 400 076  
Phone: +91 22 3342 3000 Fax: +91 22 3342 3001  
Email: crisilsmeratings@crisil.com  
www.crisil.com