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CARE REVISES THE RATING OF BANK FACILITIES OF ARIHANT DOMESTIC APPLIANCES LIMITED

CARE has revised the rating assigned to the Long-term Bank Facilities of Arihant Domestic Appliances Limited (ADAL), aggregating Rs.175.77 crore (revised from Rs.183.78 crore) from **CARE BBB [Triple B]** to **CARE B [Single B]**. This rating is applicable to facilities having a tenure of more than one year. Facilities with CARE B are considered to offer low safety for timely servicing of debt obligations and carry very high credit risk. Such facilities are susceptible to default.

Further CARE has also revised the rating assigned to the Short-term Bank Facilities of ADAL, aggregating Rs.185.00 crore (enhanced from Rs.138.00 crore) from '**PR2**' [**PR Two**] to '**PR4**' [**PR Four**]. This rating is applicable to facilities having a tenure upto one year. Facilities with PR4 would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such facilities are susceptible to default.

Bank Facilities	Amount (Rs. crore)	Rating
Long-term Bank Facilities	185.00	CARE B
Short-term Bank Facilities	175.77	PR 4
Total	360.77	

Rating Rationale

The ratings revision take into account the repeated instances of devolvement of Letters of Credit (LC), high collection period leading to delays in bill discounting and term debt repayment. The ratings are further constrained by high gearing levels, corporate guarantees given for group companies and exposure to the cyclical automobile industry.

The ratings however continue to derive strength from experienced promoters, diversified client profile, development of new process technology, substantial completion of the project and favourable region-specific Government policies & tax incentives.

Further, ability of ADAL to successfully integrate operations of its acquisitions with its own operations and raise funds from investors to repay its existing liabilities are the key rating sensitivities.

Company Profile

Arihant Domestic Appliances Limited (ADAL) belongs to the Arihant group of companies headed by Mr. Chandu L.Chavan, Promoter-Chairman. Over the years ADAL has gone for inorganic growth by acquiring various companies. ADAL manufactures precision steel tubes and auto components for two-wheelers.

On a total income of Rs.353.09 crore, ADAL earned PBILDT and PAT of Rs.55.57 crore and Rs.13.48 crore respectively in FY09. The long-term debt-equity ratio and overall gearing ratio of ADAL were high at 3.38x and 4.48x respectively as on March 31, 2009. For H1FY10, the company reported a PBT of Rs.27.51 crore on net sales of Rs.163.85 crore.

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CARE 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.

Disclaimer

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