

## Press Release

### Asian Sealing Products Private Limited

July 22, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BB-   Stable   Reaffirmed	-
Bank Loan Ratings	8.00	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.25.00 Cr bank facilities of Asian Sealing Products Private Limited (ASPPL). The outlook is '**Stable**'.

The rating reaffirmed favourably factors in its improved operating margins and adequate liquidity. The rating however is constrained by highly intensive working capital management and below average financial risk profile.

## About the Company

Incorporated in 2011, Kancheepuram based ASPPL manufactures industrial gaskets (metallic & nonmetallic) that find application in various industries like oil & gas, petro chemical industries. Major types of Gaskets manufactured by the Asian are Ring Type Joint Gaskets, Spiral Wound Gaskets, Insulation Kit Gaskets, Non Metal and other special gaskets.

## Analytical Approach

Acuite has considered the standalone financial and business risk profile of ASPPL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Experience management

ASPPL, incorporated in 2009 is promoted by Mr. Rathinam Aranganathan, Ms. Lakshmipriya Veerakumar and Mr. Subramaniam Venkatakrishnan. The directors are pioneers in the industry marked by experience of nearly two decades in the engineering goods industry which has

helped the company in getting repeat orders from its clientele. It has vintage clientele of Reliance Industries Ltd, Indian Oil Corporation Limited, Oil And Natural Gas Corporation Limited, Wolar Industrial Inc, Klinger Ltd, Freudenberg Oil & Gas Technologies, L&T Valves Limited, Bharat Heavy Electricals Limited among others. Acuité believes that experience of the promoters and reputed clientele is expected to support the business risk profile over the medium term.

### **Consistent Growth in revenue**

Asian Sealing Product Private Limited (ASPPL) is into manufacturing of gaskets which are used in various industries like oil and gas, Petro chemical industries. The company has shown growth in revenue as it reported Rs.64.87 Cr of revenue in FY22 (Provisionals). This improvement is mainly due to improved operations. The EBITDA margin and PAT margins stood at 14.24 and 4.68 percent respectively in FY22 (Provisionals).

### **Weaknesses**

#### **Intensive working capital operations**

The working capital of ASPPL is intensive in nature marked by high Gross Current Asset (GCA) days of 250 as on March 31, 2022(Provisionals) as against 280 in the previous year. This is on account of high inventory days which stood at 101 days on March 31, 2022 as against 146 days on March 31, 2021. This is majorly because company has to maintain the stock to cater to spot orders. Further, debtor days stood at 137 as on March 31, 2022(Provisionals) against 145 days on March 31, 2021. Also, the reliance on working capital facility is high, it is highly utilized at 97 percent for last 6 months ending March, 2022. Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

#### **Below-average financial Risk Profile**

The financial risk profile of the ASPPL is below-average marked by marked by high gearing and debt protection metrics. Net worth of the company stood at Rs.11.98 Cr as on March 31, 2022(Provisionals) as against Rs.8.94Cr on March 31, 2021. Gearing levels (adjusted Debt to equity) stood moderate high and improved to 2.95 times as on March 31, 2022(Provisionals) as against 3.92 times on March 31, 2021. Interest coverage ratio improved to 2.54 times as on March 31, 2022(Provisionals) from 1.97 times on March 31, 2021. Debt service coverage ratio(DSCR) stood at 1.19 times as on March 31, 2022 (Provisionals). Total outside liabilities to total net worth (TOL/TNW) stood at 4.62 times as on March 31, 2022 (Provisionals) against 5.83 times as on March 31, 2021.

### **Rating Sensitivities**

- Deterioration in profitability margins.
- Significant decline in scale of operations
- Further deterioration in working capital operations

### **Material covenants**

None

### **Liquidity: Adequate**

ASPPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company is estimated to generate cash accruals of Rs.7.46Cr for FY23 (Provisionals), with debt repayment obligations of Rs.4.35Cr for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.7.80Cr – Rs.8.50Cr

over the medium term. The company's working capital operations are moderate, marked by GCA of 250 days for FY22 (Provisionals). Unencumbered cash and bank balances stood at Rs.1.49 Cr as on March 31, 2022(Provisionals). The current ratio of the company stood at 1.28 times in FY22. Bank limits utilization of cash credit stood low at stood high at 96.50 percent over the past 6 months ending 31 March, 2022. Acuité believes that the liquidity position of the company is likely to remain adequate on account of adequate cash accruals against its debt repayments over the medium term

### Outlook: Stable

Acuité believes that ASPPL will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in ASPPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	64.87	49.11
PAT	Rs. Cr.	3.03	0.50
PAT Margin	(%)	4.68	1.02
Total Debt/Tangible Net Worth	Times	2.95	3.92
PBDIT/Interest	Times	2.54	1.97

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 May 2021	Term Loan	Long Term	9.03	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
	Packing Credit	Short Term	8.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Proposed Long Term Loan	Long Term	3.97	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
	Cash Credit	Long Term	4.00	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
	Proposed Long Term Loan	Long Term	0.50	ACUITE B+   Stable (Reaffirmed)

27 Feb 2020	Term Loan	Long Term	12.50	ACUITE B+   Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE B+   Stable (Reaffirmed)
	Packing Credit	Short Term	8.00	ACUITE A4 (Reaffirmed)
05 Dec 2018	Cash Credit	Long Term	4.00	ACUITE B+   Stable (Assigned)
	Term Loan	Long Term	12.50	ACUITE B+   Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.50	ACUITE B+   Stable (Assigned)
	Packing Credit	Short Term	8.00	ACUITE A4 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB-   Stable   Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	3.97	ACUITE BB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	31-03-2013	12.85	31-03-2024	9.03	ACUITE BB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

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