



**Press Release**  
**ASG KOMPANERO LIMITED (ERSTWHILE ASG LEATHER PRIVATE LIMITED)**  
**September 26, 2024**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.21	ACUITE BB+   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	7.00	-	ACUITE A4+   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	54.21	-	-

**Rating Rationale**

ACUITE has downgraded the long-term rating to **ACUITE BB+ (read as ACUITE double B plus)** from '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and the short-term rating to **ACUITE A4+ (read as ACUITE A four plus)** from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 54.21 Cr. bank facilities of ASG Kompanero Limited. The outlook has been revised to '**Stable**' from '**Negative**'.

**Rationale for rating and revision in outlook**

The rating has been downgraded due to increase in working capital cycle on account of increased inventory and debtor days leading to full utilization of the enhanced bank limits. Although the topline of the Company has largely remained stable in FY 2024 with slight improvement in margins, the pressure on the liquidity of the company remains. There has also been slight weakening of capital structure and debt protection metrics, the rating also takes into cognizance long track record of operations along with diversified geographical presence with reputed clientele.

**About the Company**

West Bengal based, Asg Kompanero Limited (Erstwhile Asg Leather Private Limited) was incorporated in 2002. The company is engaged in the manufacturing of leather goods such as handbags, wallets, folders, organizers, pouches, and other small leather goods like passport/card holders, personalized accessories, gift items. The directors of this company are Mr. Debika Saha, Mr. Indranath Sengupta, Mr. Alope Kumar Sengupta, Mr. Pranab Kumar Chakrabarty and Mr. Sumit Sen.

**Unsupported Rating**

Not Applicable

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of ASG Kompanero Limited to arrive at this rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Long track record of operations aided by the established brand name**

The company has long-standing operations of over two decades and serves both the domestic and international market. Acuité believes that the operational risk is mitigated to some extent by the company's proven track record of operations in the manufacturing and

export of leather products, as well as the promoter's extended experience in the industry.

### **Diversified geographical presence along with reputed clientele**

The company has a diversified revenue stream and operates both in the domestic as well as international market. The company has a global presence in more than ten to twelve countries and has established market presence in major European countries like Germany, Spain, France, and Australia. Acuité believes the healthy clientele relationships, established market position and the diversification in revenue stream will continue to benefit the company going forward.

### **Stable yet declining revenues while increasing operating profitability**

The revenues have slightly decreased to Rs.123.24 Cr. as on March 31, 2024(Prov.) from Rs. 125.98 Cr. as on March 31, 2023 due to subdued demand from foreign markets. However, the operating profitability has increased to 12.91 percent as on March 31, 2024(Prov.) from 12 percent as on March 31, 2023 owing to slight reduction in material costs.

### **Weaknesses**

#### **Average financial risk profile**

The financial risk profile of the company is marked by modest networth, moderate gearing and comfortable debt protection metrics. The tangible networth stood at Rs. 30.16 Cr. as on March 31, 2024(Prov.) as compared to Rs. 26.94 Cr. as on March 31, 2023 on account of accretion to reserves. Gearing ratio stood at 2.02 times as on March 31, 2024 (Prov.) as compared to 1.96 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.35 times as on March 31, 2024 (Prov.) as against 3.24 times as on March 31, 2023. However, the debt coverage indicators, Interest coverage ratio stood at 2.99 times as on March 31, 2024 (Prov.) and Debt service coverage ratio at 1.68 times as on March 31, 2024(Prov.), albeit a decline from previous year levels of 3.31 times and 1.82 times respectively in FY 2023. Net cash accruals to total debt (NCA/TD) stood at 0.16 times as on March 31, 2024 (Prov.) as compared to 0.19 as on March 31, 2023. Acuité believes that going forward the financial risk profile of the company will remain average in absence of major debt funded capex plans and steady accretion to reserves.

### **Intensive Working Capital Cycle**

The working capital cycle of the company is intensive marked by Gross Current Assets (GCA) of 229 days as on March 31, 2024(Prov.) as against 173 days as on March 31, 2023. Inventory days stood at 163 days as on March 31, 2024 (Prov.) as compared to 127 days as on 31st March 2023. This has been due to high finished good inventory levels owing to changing fashion trends which had subdued demand. The debtor days stood at 25 days as on March 31, 2024 (Prov.) as against 14 days as on March 31, 2023. Acuité believes that going forward, the working capital management of the company will remain around similar levels over the medium term owing to the high inventory requirement due to the nature of the business.

### **Rating Sensitivities**

- Improvement in the scale of operations while sustaining improved margins
- Working capital cycle
- Improvement in capital structure

### **Liquidity Position Stretched**

The liquidity is stretched marked by steady net cash accruals of Rs. 9.79 Cr. in FY 2024(Prov.) as against long term debt repayment of Rs. 3.35 Cr. over the same period. The cash and bank balances stood at Rs. 0.79 Cr. in FY 2024(Prov.) as compared to Rs. 1.01 Cr in FY 2023. The current ratio stood at 1.12 times in FY 2024(Prov.) as compared to 0.99 times in FY 2023. Moreover, the fund-based limit was utilized at more than 98 percent ended 12 months FY 2024. Acuité believes that going forward the liquidity position of the company will continue to remain stretched due to elongated working capital cycle, albeit steady accruals in the absence of any major debt funded capex plans.

**Outlook: Stable**

Acuité believes that ASG Kompanero Limited will maintain a stable outlook over medium term on account of experienced management, steady revenue growth and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company achieves higher than expected improvement in its operating income and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of substantial reduction in its operating income, sharp decline in its operating margins and further stretch in its working capital cycle.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	123.24	125.98
PAT	Rs. Cr.	2.61	2.51
PAT Margin	(%)	2.12	1.99
Total Debt/Tangible Net Worth	Times	2.02	1.96
PBDIT/Interest	Times	2.99	3.31

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

Not Applicable

### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2023	Term Loan	Long Term	6.20	ACUITE BBB-   Negative (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB-   Negative (Reaffirmed)
	PC/PCFC	Long Term	16.00	ACUITE BBB-   Negative (Reaffirmed)
	Term Loan	Long Term	0.99	ACUITE BBB-   Negative (Reaffirmed)
	PC/PCFC	Long Term	11.85	ACUITE BBB-   Negative (Reaffirmed)
	Stand By Line of Credit	Long Term	2.00	ACUITE BBB-   Negative (Reaffirmed)
	Covid Emergency Line.	Long Term	4.67	ACUITE BBB-   Negative (Reaffirmed)
	Covid Emergency Line.	Long Term	3.50	ACUITE BBB-   Negative (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
07 Apr 2022	Term Loan	Long Term	6.20	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB-   Stable (Assigned)
	Covid Emergency Line.	Long Term	3.50	ACUITE BBB-   Stable (Assigned)
	PC/PCFC	Long Term	14.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.31	ACUITE BBB-   Stable (Assigned)
	Covid Emergency Line.	Long Term	5.06	ACUITE BBB-   Stable (Assigned)
	PC/PCFC	Long Term	11.85	ACUITE BBB-   Stable (Assigned)
	Stand By Line of Credit	Long Term	2.00	ACUITE BBB-   Stable (Assigned)
	Covid Emergency Line.	Long Term	0.29	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Axis Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2024	Simple	3.50	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4+   Downgraded ( from ACUITE A3 )
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4+   Downgraded ( from ACUITE A3 )
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.85	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Axis Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.67	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
								ACUITE BB+

Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	Simple	6.20	Stable   Downgraded   Negative to Stable (from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	Simple	0.99	ACUITE BB+   Stable   Downgraded   Negative to Stable (from ACUITE BBB- )



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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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