

June 06, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	30.00*	SMERA B+/Stable (Assigned)
Term Loans	12.92	SMERA B+/Stable (Assigned)
Drawings Against Uncleared Effects	0.60	SMERA A4 (Assigned)

*Includes PC/FBP/UFBP as a sublimit to the extent of Rs.10.00 crore

*Includes packing credit as a sublimit to the extent of Rs.7.00 crore

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA single B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.43.52 crore bank facilities of ASM Industries (India) Private Limited (ASM). The outlook is '**Stable**'. The ratings are constrained by the company's below-average financial risk profile and working capital-intensive operations. The ratings are also constrained by the susceptibility of the company's profit margins to intense competition in the textile industry. However, the ratings are supported by the company's healthy revenue growth and experienced management.

ASM, established in 1981, is engaged in manufacturing of fabric and readymade garments. ASM's below-average financial risk profile is marked by high gearing (debt-to-equity ratio) of 3.16 times (provisional) as on March 31, 2014. The company's total debt of Rs.51.23 crore (provisional) as on March 31, 2014 includes term loans of Rs.9.05 crore and interest-bearing unsecured loans of Rs.11.57 crore. ASM's interest coverage ratio is moderate at 1.42 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The company's financial risk profile is likely to deteriorate further on account of planned debt-funded capital expenditure towards capacity expansion in the current financial year.

ASM's operations are working capital-intensive on account of high inventory levels (of ~120-180 days during the period under study). The company's average utilisation of working capital limit is high at 94.66 per cent during October 2013 to April 2014. ASM's profit margins are highly susceptible to fluctuations in raw material prices. The company operates in an intensely competitive segment of the textile industry. ASM's operating profit margin declined from 10.35 per cent in FY2012-13 to 9.16 per cent (provisional) in FY2013-14. Further, the company's net profit margin declined from 2.07 per cent in FY2012-13 to 0.77 per cent (provisional) in FY2013-14.

ASM's revenue increased at a healthy compounded annual growth rate (CAGR) of 17.86 per cent during FY2008-09 to FY2012-13. The company registered revenues of Rs.107.46 crore (provisional) in FY2013-14, a growth of ~11 per cent over the previous year. ASM benefits from its experienced management. The promoters of the company have around four decades of experience in the textile industry.

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ASM has installed fabric manufacturing capacity of 8,00,000 meters per month. The company also has garment (trousers) manufacturing capacity of 15,000 pieces per month. ASM plans to double its trousers manufacturing capacity and install additional capacity for manufacturing 10,000 suits per month in the current financial year.

Outlook: Stable

SMERA believes ASM will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial improvement in its scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues amidst intensifying competition in its area of operation, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements and capital expenditure.

About the company

ASM was established as a partnership firm (named Anand Silk Mills) in 1981. In 2010, the partnership firm was converted into a private limited company under the name of ASM Industries (India) Private Limited (ASM) with Mr. Rameshwar Kejriwal, Mr. Harimohan Kejriwal, Mr. Madhusudan Kejriwal, Mr. Anand Kejriwal, Mr. Vivek Kejriwal, Mrs. Krishna N. Kejriwal and Mrs. Sarita Kejriwal as directors.

ASM is engaged in manufacturing of fabric and readymade garments. The company has two factory units in Umbergaon, Gujarat.

For FY2012-13, ASM reported net profit of Rs.2.00 crore on a total income of Rs.96.62 crore, as compared with net loss of Rs.0.24 crore on total income of Rs.78.52 crore for FY2011-12. ASM's net worth stood at Rs.15.38 crore as on March 31, 2013, as compared with Rs.10.39 crore a year earlier.

For FY2013-14 (as per provisional financial statements), ASM reported net profit of Rs.0.83 crore on total income of Rs.107.46 crore. The company's net worth stood at Rs.16.20 crore (provisional) as on March 31, 2014.

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