

May 20, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	35.00*	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Term Loan	7.79	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Drawings Against Uncleared Effects	0.60	SMERA A4 (Reaffirmed)
Proposed Term Loan	0.13	SMERA BB-/Stable (Assigned)

*Includes PC/FBP/UFBP as 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 upgraded the long-term rating assigned to the Rs.42.79 crore bank facilities of ASM Industries India Private Limited (ASM) to '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA B+**'. SMERA has also assigned a rating of '**SMERA BB-**' to the Rs.0.13 crore proposed bank facility of ASM. The outlook is '**Stable**'. The short-term rating is reaffirmed at '**SMERA A4**' (read as **SMERA A four**). The upgrade is in view of healthy revenue growth registered by the company. The ratings continue to draw comfort from the company's experienced management. However, the ratings are constrained by the company's moderate financial risk profile and working capital-intensive operations. The ratings note that the company faces intense competition.

Update

ASM reported net profit of Rs.1.10 crore on operating income of Rs.106.09 crore in FY2013-14, as compared with net profit of Rs.1.21 crore on operating income of Rs.96.62 crore in the previous year. Further, the company registered net profit of Rs.1.67 crore (provisional) on operating income of Rs.90.57 crore (provisional) for the period April 2014 to December 2014. ASM's net worth stood at Rs.16.37 crore as on March 31, 2014, as compared with Rs.15.38 crore a year earlier.

ASM is undertaking capex for doubling the installed production capacity (for trousers) to 30,000 pieces per month. The company is also installing capacity of 10,000 suits per month. The new capacities are likely to be commissioned in June 2015. The estimated project cost is ~Rs.6.00 crore, which is partly funded through term loan of Rs.2.82 crore.

ASM's moderate financial risk profile is reflected in gearing (debt-equity ratio) of 2.73 times (provisional) as on December 30, 2014 (3.13 times as on March 31, 2014). The company's total debt of Rs.49.31 crore (provisional figure as on December 30, 2014) includes interest-bearing unsecured loans of Rs.7.02 crore, which are subordinated to bank debt. ASM's interest coverage ratio is moderate at 1.51 times (provisional) for the period April 2014 to December 2014 (1.45 times in FY2013-14).

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ASM faces intense competition from several players in the textile industry. The company's operating profit margin declined from 10.35 per cent in FY2012-13 to 9.51 per cent in FY2013-14 on account of increase in raw material cost. ASM has registered operating profit margin of 9.58 per cent (provisional) for the period April 2014 to December 2014. The company's operations are working capital-intensive on account of high inventory levels of 130-160 days. ASM's average utilisation of working capital limit was high at 98.72 per cent during October 2014 to March 2015.

ASM benefits from its experienced management. The promoters of the company have around four decades of experience in the textile industry.

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 operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability, 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.

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 directorship of Mr. Rameshwar Kejriwal, Mr. Harimohan Kejriwal, Mr. Madhusudan Kejriwal, Mr. Anand Kejriwal, Mr. Vivek Kejriwal, Mrs. Krishna N. Kejriwal and Mrs. Sarita Kejriwal.

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

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Jyoti Punjabi Associate Vice President - Corporate Ratings Tel: +91-22-6714 1133 Email: jyoti.punjabi@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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