



SMERA RATINGS LIMITED

ASM Industries (India) Private Limited (ASM)

Rating Rationale

May 09, 2016

| Facility | Amount (Rs. Crore) | Ratings |
|---------------------------------------|---|---------------------------------------|
| Cash Credit | 45.00* (Enhanced from Rs. 35.00 crore) | SMERA BB-/Stable (Reaffirmed) |
| Term Loans | 10.31 (Enhanced from Rs. 7.79 crore) | SMERA BB-/Stable (Reaffirmed) |
| Drawings Against Uncleared Effects | 0.60 | SMERA A4+ (Upgraded from SMERA A4) |
| Term Loan (Proposed) | 1.35 (Enhanced from Rs. 0.13 crore) | SMERA BB-/Stable (Reaffirmed) |

*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 reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and upgraded short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) from '**SMERA A4**' (read as **SMERA A four**) on the Rs.57.26 crore bank facilities of ASM Industries (India) Private Limited (ASM). The outlook is '**Stable**'. The ratings continue to factor in the average financial risk profile of the company and the highly competitive nature of the industry leading to working capital intensive operations. However, the ratings are supported by the healthy revenue growth and experienced management.

Update

For FY2014-15 (refers to financial year, April 01 to March 31), ASM registered net profit of Rs.1.54 crore on operating income of Rs.121.41 crore, as compared with net profit of Rs.1.10 crore on operating income of Rs.106.09 crore in FY2013-14.

ASM's average financial risk profile is reflected in the gearing of 3.31 times as on March 31, 2015 (and 3.13 times as on March 31, 2014). However, the total debt includes unsecured loans of Rs.7.02 crore (interest bearing at 15 per cent per annum) that are subordinated to bank debt and also long term bank loans taken for capacity expansion. To complete the ongoing expansion, ASM has been sanctioned term loan of Rs. 2.40 crore in March 2016. The gearing levels remain in the range of 2.70 times to three times after taking into consideration the new and the old loans. The coverage indicators of ASM have marginally improved with ICR at 1.61 times for FY2015.

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ASM operates in a highly competitive industry. The operating profit margin declined from 9.51 per cent in FY2013–14 to 9.08 per cent in FY2014–15 on account of increase in raw material cost. The company's operations are working capital-intensive on account of high inventory levels (130 – 140 days). The average utilisation of working capital limit was high at 96.85 per cent during October 2015 to March 2016.

The company benefits from its experienced management. The promoters 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' if 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 of failure to achieve the projected scalability or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

Rating Sensitivity Factors

- Increasing scale of operations
- Improving operating profit margins
- Efficient working capital management and bank limit utilisation

About the Company

ASM was established as a partnership firm (named Anand Silk Mills) in 1981. In 2010, the 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 among others as directors.

The company is engaged in the manufacturing of fabric and readymade garments at its two units at Umbergaon, Gujarat.

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*Rating
Rationale*

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