

Press Release

ASM Industries (India) Private Limited (ASM)

February 15, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.57.26 crore
Long Term Rating	SMERA BB-/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA BB-**' (**SMERA double B minus**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the above mentioned bank facilities of ASM Industries (India) Private Limited (ASM). The outlook is '**Stable**'.

ASM is engaged in the manufacturing of fabric (shirting & suiting) and readymade garments at Umbergaon, Gujarat.

The reaffirmation is on account of the healthy operating income growth rate, comfortable financial risk profile, stable operating margins and working capital intensive operations.

List of key rating drivers and their detailed description

Strengths

Experienced management: ASM, incorporated in 1981 as a private limited company is engaged in the manufacturing of fabric (shirting & suiting) and readymade garments. The promoters have over 30 years of experience in the textile industry and long term relations with customers.

Healthy operating income growth rate: ASM has registered healthy revenue growth rate at a CAGR of 17.31 percent from FY2014-FY2016 on account of increase in order book value. The operating income stood at Rs.134.30 crore in FY2016 as compared to Rs.121.41 crore in FY2015.

Weaknesses

Average financial risk profile: The financial risk profile is moderate marked by low net worth of Rs.18.72 crore as on 31 March 2016. The gearing stood at 3.02 times as on 31 March 2016 as compared to 3.31 times as on 31 March 2015. The ICR stood at 1.60 times as compared to 1.61 times for FY2015. The company registered DSCR of 1.16 times for FY2016 as against 1.12 times in FY2015.

Working capital intensive operations: ASM's operations are working capital intensive marked by Gross Current Assets (GCAs) days of 205 on account of high inventory and debtor levels of 139 and 67 days respectively.

Stable operating margins: The operating margins have remained stable for the period FY2014-16. However, operating margins marginally increased in FY2016 over the previous year on account of decline in raw material cost. The EBITDA margins stood at 9.64 percent in FY2016 as compared to 9.09 percent in FY2015. The PAT margins stood at 0.93 percent in FY2016 as compared to 1.06 percent in FY2015.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of ASM to arrive at the rating.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that ASM will maintain a stable outlook over the medium term owing to 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 registers deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity

ASM was established in 1981 as a partnership firm by Mr. Rameshwar Kejriwal, Mr. Harimohan Kejriwal, Mr. Madhusudan Kejriwal and subsequently converted to a private limited company. The management headed by Mr. Rameshwar Kejriwal possesses vast experience in the abovementioned line of business. The manufacturing capacity stands at 90 lakh meters of fabric and 5 lakh pieces of trousers per annum.

For FY2015-16, the company registered profit after tax (PAT) of Rs.1.25 crore on operating income of Rs.134.30 crore as against net profit of Rs.1.29 crore on operating income of Rs.121.41 crore in the previous year. The net worth stood at Rs.18.72 crore as on 31 March 2016 as compared to Rs.17.52 crore as on 31 March 2015.

Status of non-cooperation with previous CRA: CRISIL Limited (CRISIL) has suspended its ratings on bank facilities of ASM Industries (India) Private limited due to lack of adequate information.

Any other information: N.A.

Rating History for the last three years:

Name of Instrument/ Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit*	LT	45.00	SMERA BB-/Stable (Reaffirmed)	09 May, 2016	SMERA BB-/Stable (Reaffirmed)	20 May, 2015	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)	06 June, 2014	SMERA B+/Stable
Term Loan	LT	10.31	SMERA BB-/Stable (Reaffirmed)	09 May, 2016	SMERA BB-/Stable (Reaffirmed)	20 May, 2015	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)	06 June, 2014	SMERA B+/Stable (Assigned)
Drawings Against Uncleared Effects	ST	0.60	SMERA A4+ (Reaffirmed)	09 May, 2016	SMERA A4+ (Upgraded from SMERA A4)	20 May, 2015	SMERA A4 (Reaffirmed)	06 June, 2014	SMERA A4 (Assigned)
Proposed Term Loan	LT	1.35	SMERA BB-/Stable (Reaffirmed)	09 May, 2016	SMERA BB-/Stable (Reaffirmed)	20 May, 2015	SMERA BB-/Stable (Assigned)	-	-

* PC/FBP/UFBP# sublimit Rs. 10.00 crore

Packing Credit sublimit upto Rs. 7.00 crore

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Cash Credit*	N.A.	N.A.	N.A.	45.00	SMERA BB-/Stable (Reaffirmed)
Term Loan	N.A.	N.A.	April, 2021	10.31	SMERA BB-/Stable (Reaffirmed)
Drawings Against Uncleaned Effects	N.A.	N.A.	N.A.	0.60	SMERA A4+ (Reaffirmed)
Proposed Term Loan	N.A.	N.A.	N.A.	1.35	SMERA BB-/Stable (Reaffirmed)

* PC/FBP/UFBP# sublimit Rs. 10.00 crore

Packing Credit sublimit upto Rs. 7.00 crore

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Ankit Gupta, Rating Analyst, Tel:02267141111	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

Email: ankit.gupta@smera.in

ABOUT SMERA

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