

Press Release

ASM Industries (India) Private Limited (AIPL)

April 02, 2018

Rating Upgraded and Reaffirmed



Total Bank Facilities Rated*	Rs. 65.26 Cr.
Long Term Rating	SMERA BB / Outlook: Stable (Upgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BB**' (read as SMERA double B) from SMERA BB-(read as SMERA double minus) and has reaffirmed the short term rating of '**SMERA A4+**' (read as SMERA A four plus) to the bank facilities of Rs. 65.26 crore of **ASM Industries India Private Limited(AIPL)**. The outlook is '**Stable**'.

The rating upgrade is in view of the improved business risk profile as the company has extended its business to newer geographies along with addition of reputed client base. Further, the rating takes support of completed capex.

AIPL is a Mumbai-based partnership firm established in 1981. In 2010, the constitution was changed to a private limited company. AIPL is engaged in manufacturing of fabric (shirting & suiting) and readymade garments. The manufacturing facility is located in Umbergaon, Gujarat.

Key rating drivers

Strengths

Established track record of operations and experienced management

AIPL established in 1981 and has a long track record of operations. The company is led by Mr. Rameshwar Kejriwal who has over three decades of experience in textile and garmenting industry.

Moderate business risk profile

The company has moderate scale of revenue of Rs. 137.65 crore in FY2017 and Rs. 134.30 crore in FY2016. The operating margins (EBITDA) stood at 9.26 per cent in FY2017 as against 9.64 per cent in FY2016. This is mainly due to decline in the cost of raw materials as a percentage of sales. Further, the Profit After Tax (PAT) margin stood at 1.28 per cent in FY2017 as against 0.93 per cent in FY2016. AIPL caters to reputed clientele namely, Raymond, Reid and Taylor, Van Huesen among others. The company exports to Bangladesh, Greece, U.K., U.A.E., Spain, and Mexico to name a few. SMERA believes that the business risk profile will be supported by its established relations with reputed customers.

Weaknesses

Moderate financial risk profile

AIPL's financial risk profile is moderate marked by net worth of Rs.20.48 crore as on 31 March 2017. The debt to equity ratio stood at 3.16 times as on 31 March 2017 as against 3.02 times as on 31 March 2016. The total debt of Rs. 64.73 crore as on 31 March 2017 consist of working capital facilities of Rs. 45.03 crore, unsecured loan of Rs. 15.30 crore and long term debt of Rs.4.40 crore. Interest coverage ratio stood at 1.85 times in FY2017 as against 1.61 times in FY2016.

Working capital intensive operations

The operations are working capital intensive marked by Gross Current Assets of 206 days as on 31 March 2017 as against 196 days as on 31 March 2016. This is majorly on account of high inventory and debtor days of 136 and 74 respectively as on 31 March 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AIPL to arrive at the rating.

Outlook- Stable

SMERA believes that AIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while sustaining profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	137.65	134.30	121.41
EBITDA	Rs. Cr.	12.75	12.95	11.03
PAT	Rs. Cr.	1.76	1.25	1.29
EBITDA Margin	(%)	9.26	9.64	9.09
PAT Margin	(%)	1.28	0.93	1.06
ROCE	(%)	11.89	13.14	12.33
Total Debt/Tangible Net Worth	Times	3.16	3.02	3.31
PBDIT/Interest	Times	1.85	1.61	1.61
Total Debt/PBDIT	Times	4.98	4.30	5.05
Gross Current Assets (Days)	Days	206	196	207

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Feb-2017	Cash credit	Long Term	45.00	SMERA BB-/Stable (Reaffirmed)
	Term Loan	Long Term	10.31	SMERA BB-/Stable (Reaffirmed)
	Bills Discounting	Short Term	0.60	SMERA A4+ (Reaffirmed)
	Proposed Long term loan	Long Term	1.35	SMERA BB-/Stable (Reaffirmed)

9-May-2016	Cash credit	Long Term	45.00	SMERA BB-/Stable (Reaffirmed)
	Term Loan	Long Term	10.31	SMERA BB-/Stable (Reaffirmed)
	Bills Discounting	Short Term	0.60	SMERA A4+ (Upgrade)
	Proposed Long term loan	Long Term	1.35	SMERA BB-/Stable (Reaffirmed)
20-May-2015	Cash credit	Long Term	35.00	SMERA BB-/Stable (Upgrade)
	Term Loan	Long Term	7.79	SMERA BB-/Stable (Upgrade)
	Bills Discounting	Short Term	0.60	SMERA A4+ (Reaffirmed)
	Proposed Long term loan	Long Term	0.13	SMERA BB-/Stable (Assigned)
6-June-2014	Cash credit	Long Term	30.00	SMERA B+/Stable (Assigned)
	Term Loan	Long Term	12.92	SMERA B+/Stable (Assigned)
	Bills Discounting	Short Term	0.60	SMERA A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	7.91	SMERA BB / Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA BB/ Stable (Upgraded)
Drawing against un-cleared Effects	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.75	SMERA BB/ Stable (Upgraded)

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ABOUT SMERA

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