

Rating Rationale

ASP Sealing Products Ltd

February 26 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of ASP Sealing Products Ltd

Particulars

Facility	Tenure	Rated Amount	Rating Assigned
Cash Credit	Long Term	12.50	BWR BB (Pronounced as BWR Double B) Outlook: Stable
Term Loan		0.23	
LC/ Buyer's Credit	Short Term	8.00	BWR A4+ (Pronounced as BWR Single A Four Plus)
Total		20.73	Rupees Twenty Crore and Seventy Three Lakhs only

Apart from the above mentioned facilities, the client is also availing Derivative Limit of Rs. 0.16 Cr.

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results of the company up to FY17, projections upto FY18, publicly available information and information/clarifications provided by the Company's management.

The ratings draw comfort from the experience of the Directors, comfortable gearing and debt protection metrics. The rating is, however, constrained on account of inconsistency in topline, small scale of operations, elongated conversion cycle and low net profit margin.

Credit Strengths:

- **Experience of Directors:** The promoter-director of the company has an experience of more than 2 decades in the industry. He is further being supported by the other family members who have also joined the company.
- **Comfortable gearing:** The net worth of the company is at a comfortable level. Owing to the same, the gearing, depicted by debt/ equity has also been at a comfortable level of 0.62 times in FY17.
- **Comfortable debt protection metrics:** The debt protection metrics, denoted as ISCR and DSCR, are also at a comfortable level. In FY17, the same have been recorded at 2.53 times and 1.26 times respectively.

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Credit Weaknesses:

- **Inconsistency in topline:** The scale of operations of the company is small. Also there is inconsistency in the topline, as the topline has been at Rs. 72.60 Cr in FY15, which reduced marginally to Rs. 72.17 Cr in FY16 and the same further declined to Rs. 68.12 Cr in FY17. The reason for decline in sales in FY17 is due to slump in automobile market and demonetization. The company is hopeful of breaking the trend in FY18 with an increase in topline.
- **Low net profit margins:** Due to decline in sales and slump in market, the net profit level has also been impacted. NPM in FY16 was recorded at 1.49% which has reduced to 0.91% in FY17.
- **Elongated conversion cycle:** The conversion cycle of the company is also high. The same has been at 151 days in FY16 and has further deteriorated in FY17 to 211 days due to higher level of inventory.

Rating Outlook: Stable

BWR believes the ASP Sealing Product Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

ASP Sealing Products Ltd was incorporated on 1st May, 1989 in the name of Anand SAIAG Pvt. Ltd. Thereafter on 07/11/1994 it was converted into closely held Public Limited Company and on 19.08.1996 the name of the Company was changed to ASP Sealing Products Ltd (ASP). The registered office of the company is in New Delhi. The manufacturing facility is in Gajraula, U.P. Regional offices are located in Kolkata, Mumbai, Chennai & Pune. The company is manufacturing items like EPDM door seals rubber profiles for Automobiles Industries and industrial hoses. Presently, Mr. Gurdeep Singh Anand, Mrs. Jatinder Kaur Anand and Mr. Rishipal Singh Anand are the Directors.

Company Financial Performance

	Unit	FY16 (Aud.)	FY17 (Aud.)
Net Sales	Rs. in Cr	72.17	68.12
EBIDTA	Rs. in Cr	8.40	7.61
PAT	Rs. in Cr	1.08	0.62
Tangible Networth	Rs. in Cr	36.22	37.20
TOL : TNW	Times	1.04	0.94
Current Ratio	Times	1.42	1.54

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.