

## Rating Rationale

Ashiana Ispat Ltd.

06 Mar 2019

**Brickwork Ratings upgrades the long term rating and reaffirms the short term rating for the enhanced Bank Loan facilities of Rs 45.50Cr of Ashiana Ispat Ltd.**

### Particulars:

Issue	Amount Rated (Rs. Cr)		Tenure	Rating History (22Nov 2017)	Rating Assigned <sup>^</sup>
	Previous	Present			
<b>Fund Based</b>					
CC	29.00	29.00	Long Term	BWR BBB - (Pronounced as BWR Triple B Minus) Outlook:Stable	BWR BBB (Pronounced as BWR Triple B) Outlook:Stable Upgrade
Term Loan	-	11.50			
<b>Non Fund Based</b>					
LC	4.50	4.50	Short term	BWR A3 (Pronounced as BWR Single A Three)	BWR A3 (Pronounced as BWR Single A Three) Reaffirmation
BG	0.50	0.50			
Total	34.00	45.50	Rs.Forty Five Crores and Fifty lakhs Only		

<sup>^</sup> Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**BWR has upgraded Long Term Rating to BWR BBB ( Outlook: Stable) and reaffirmed Short Term Rating at BWR A3.**

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of **Ashiana Ispat Ltd. ( AIL or “the Company”)** upto FY18, provisional financial data upto December 2018, publicly available information and information provided by the management of the Company.

The ratings draw comfort from the promoters’ experience of more than 2 decades in their line of business activity and their ability to infuse funds into the business, healthy growth in top line and bottom line in FY18, strong financial risk profile and high demand for the product offerings from various industries.

The ratings are, however, constrained on account of vulnerability to fluctuations in prices of raw material and finished goods, exposure to inherent cyclicalities and to slowdown in end-user industry and intense competition in the steel industry.

### **Key Rating Strengths**

- 1. Promoters' experience:** The Company is family promoted and promoters have experience of more than 2 decades in the industry.
- 2. Strong financial risk profile:** The Company has low overall gearing (TOL/TNW ratio) of 1.54x in FY18 as compared to 2.10x in FY17. The overall gearing is supported by comfortable ISCR of 2.25x in FY18 on account of moderate operating profit margin (OPM) of 3.88% coupled with moderate TNW of Rs. 39.37Cr in FY 18 vis-a-vis ISCR of 1.16x, OPM of 1.88% and TNW of Rs.26.14Cr in FY 17 .
- 3. Increase in Total Operating Income :** Total Operating Income of the company has shown substantial increase of 32.12% in FY18 to Rs.302.35 Crs from Rs.228.84 Crs in FY17, owing to the increase in installed capacities to 120,000 MT for TMT bars and 30,000 MT for billets and correspondingly increase in capacity utilization. Further, the company has achieved sales of Rs.310 Crs for 9MFY19, as per the information shared by the management.

### **Key Rating Weaknesses**

- 1. Vulnerability to fluctuations in prices of raw material and finished goods :** Operating margin is vulnerable to fluctuations in input prices as well as realisations of finished goods. The prices and supply of the main raw materials viz. steel ingots/billets and coal, directly impacts the realisations of finished goods and any sharp variation in input prices with absence of almost similar variation in realisations is likely to dent profitability significantly.
- 2. Exposure to inherent cyclicalities and to slowdown in sales by end-user industry:** Demand for the products is linked to capex programmes of end-users such as the real estate, civil construction, and engineering industries; which are cyclical. Slowdown in capex in these segments may impact the company's performance.

**Liquidity Position :** The Company's liquidity position has also remained robust, with healthy cash accrual (around Rs4.84 crore in fiscal 2018 and Rs 4.55 crore in fiscal 2017). Further, the average bank limit utilisation during April 2018 to December 2018 was around 80% coupled with available cash and cash equivalent of Rs.1.56 Crs. Cash generating ability coupled with improved conversion cycle of 81 days and absence of any large capex is likely to lead to build up of sizeable liquid funds over the medium term which may result in a low net debt position in the medium term.

### **Rating Outlook: Stable**

BWR believes that **Ashiana Ispat 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.

### Analytical Approach:

BWR has taken the financials of the Company on a standalone basis into consideration while determining the credit rating of the entity. A reference may be made to hyperlinks below for the applicable criteria.

### About the Company:

Ashiana Ispat Ltd was incorporated in the year 1992 and is listed on the Bombay Stock Exchange. The company manufactures high tech and high value-added steel like TMT Bars and steel ingots for domestic construction, engineering, automotive and infrastructure sectors under the brand name 'Kamdhenu Saria'. Ashiana Ispat Ltd. is managed by its promoters, Mr. Naresh Chand and Mr. Puneet Jain. Its manufacturing units are located in Bhiwadi, Rajasthan.

### Company's Financial Performance.

Key Financials			
Result Type	Limits	31/Mar/2017	31/Mar/2018
		Audited	Audited
TOI	Rs. Crs	228.84	302.35
OPBDIT	Rs. Crs	4.29	11.74
PAT	Rs. Crs	3.09	3.52
Tangible Net Worth	Rs. Crs	26.14	39.37
TOL/TNW	Times	2.10	1.54
Current Ratio	Times	2.03	1.83

### Rating History for the last four years (including withdrawn/suspended ratings)

Facilities	Present Rating ( 6 Mar 2019)			Rating History			
	Rated Amount (Rs. Crs)	Tenor	Rating	25 Feb 2019	22 Nov 2017	22 April 2017	2016
<b>Fund based</b>							
CC	29.00	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	Rating moved to Not Reviewed Advisory	BWR BBB - (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	NA
Term Loan	11.50						
<b>Non Fund Based</b>							
LC	4.50	Short Term	BWR A3 (Pronounced as BWR)	Rating moved to Not Reviewed Advisory	BWR A3 (Pronounced as BWR Single A Three)	BWR A4+ (Pronounced as BWR Single A Four)	NA
BG	0.50						

			Single A Three)				
<b>Total</b>	45.50	Rs.Forty Five Crores and Fifty lakhs Only					

**Status of non-cooperation with previous CRA (if applicable) – NA**

**Any other information – NIL**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Industry](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analysts	Media
Ashwini Mital Director - Ratings <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.



BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

## **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.