

Rating Rationale

Ashiana Manufacturing India Ltd

10 Oct 2018

Brickwork Ratings revises ratings to BWR BBB-(Stable)/A3 for the Bank Loan Facilities of ₹. 26.75 Crores of Ashiana Manufacturing India Ltd. (AMIL or 'The Company')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jul, 2017)	Present
Fund based Cash Credit Term Loan	18.00 -	22.00 4.74	Long Term	BWR BB+ Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable <i>Upgraded</i>
Non Fund Based Bank Guarantee	-	0.014			
Non Fund Based Bank Guarantee LC (Sublimit) BG (Sublimit)	0.50 (2.00) -	- (5.00) (1.00)	Short Term	BWR A4+	BWR A3 (Pronounced as BWR A Three) <i>Upgraded</i>
Total	18.50	26.75	INR Twenty Six Crores and Seventy Five Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rating Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, publicly available information and information/clarifications provided by the management.

The Rating upgrade factors healthy growth in business, improving financial risk profile & stable working capital cycle. The rating continues to draw strength from the promoters' experience in the steel industry and their financial support, improvement in the production capacity utilized & growth in scale of operations & PAT. However, the rating continues to be constrained by profitability margin susceptible to changes in raw material prices & vulnerability to cyclicity in the steel industry.

Going forward, the ability of the company to sustain its growth trend, improvement in margins & capital structure and maintaining its efficient working capital cycle are the key rating sensitivities.



Key Rating Drivers

Experienced Management: AMIL is promoted by Jain family having around 3 decades of experience in the iron & steel industry and this has enabled them to build strong relationships with its customers and suppliers and has led to repeat orders.

Improvement in scale of operations: AMIL has a manufacturing facility located in Bhiwadi, Rajasthan with an installed capacity of 120000 MTPA. The capacity utilization levels improved from 73394 MTPA (61.16%) in 2016-17 to 99042.15 MTPA (82.53%) resulting in increase in company's revenue & PAT. The revenues grew by 56% year on year from Rs. 231.58 Crs in FY17 to Rs. 361.48 Crs in FY18 and the growth is expected to be sustainable as the installed capacity will further enhance to 180000 MTPA in 2018-19

Comfortable overall financial risk profile & stable operating cycle: The company's networth base increased from Rs. 13.72 Crs as on 31st March 2017 to Rs. 21.34 Crs as on 31st March 2018 following accretion of profit to reserves. This has led to improvement in gearing ratio from 2.30 times in FY 17 to 1.88 times in FY18. Further, the working capital cycle of the company remained range bound b/w 11 to 20 days in the past 3 years.

Susceptibility to volatility in raw material prices: Cost of production and profit margins of players in this industry are heavily dependant on raw material prices (MS Ingots & Billets). Since the input prices are volatile in nature, the profitability of the company is susceptible to raw material prices.

Vulnerability to cyclicity in the steel industry: AMIL primarily produced TMT bars, the market for which is highly fragmented and intensely competitive. Profitability is linked to the performance of steel industry and also primary end user segments such as infrastructure and real estate, which are vulnerable to cyclicity. Furthermore, the value addition in the steel construction materials like TMT bars is also low, resulting in low product differentiation in the market. The producers of steel construction materials are essentially price takers, which directly expose their cash flows and profitability to volatility in steel prices.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the AMIL'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



Incorporated in 1995 and promoted by Jain family, AMIL manufactures TMT bars from ingots and billets at its manufacturing unit located in Bhiwadi, Rajasthan with a present installed capacity of 120000 MTPA. The TMT bars are sold under the Kamdhenu brand. Mr. Neeraj Jain, Mr. Sanjay Jain & Mr. Naman Jain are the Directors.

Financial Performance

AMIL reported Operating Revenue of Rs.361.48 Crs and Net Profit of Rs 7.62 Cr for FY18 as against Operating Revenue of Rs. 231.58 Crs and Net Profit of Rs 0.74 Cr for FY 17. Tangible Net Worth was Rs 21.34 Crs and Total debt was Rs.40.07 Crs as on March 31 2018. Current ratio was low at 1.16 times as on March 31 2018.

The key financial indicators are summarized in Annexure II

Rating History for the last three years

Instrument /Facility	Current Rating (Oct 2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	July 2017	2016	Oct 2015
<u>Fund Based</u> Cash Credit Term Loan <u>Non Fund Based</u> Bank Guarantee	Long Term	22.00 4.74 0.014	BWR BBB- (Outlook: Stable) Upgraded	BWR BB+ (Outlook: Stable) Reaffirmed	-	BWR BB+ (Outlook: Stable) Reaffirmed
<u>Non Fund Based</u> LC (Sublimit) BG (Sublimit)	Short Term	(5.00) (1.00)	BWR A3 Upgraded	BWR A4+ Reaffirmed	-	BWR A4+ Reaffirmed
Total		26.75	₹ Twenty Six Crores and Seventy Five Lakhs Only			

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

Any other information- NA

Annexure I

Bank Facilities Details- HDFC Bank

Facilities**	Type	Total
Cash Credit	Fund Based	22.00
Term Loan	Fund Based	4.74
Bank Guarantee	Non Fund Based	0.014
Total		26.75

Annexure II
Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. in Crs	361.48	231.58
EBITDA	Rs. in Crs	14.15	6.06
PAT	Rs. in Crs	7.62	0.74
Tangible Net worth	Rs. in Crs	21.34	13.72
Total Debt/Tangible Net worth	Times	1.88	2.30
Current Ratio	Times	1.16	1.05

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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For print and digital media

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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 Investors queries can be sent to 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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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