

## Rating Rationale

### Brickwork Ratings revises ratings to ‘BWR BB+’ & ‘BWR A4+’ for Bank Credit Facilities aggregating ₹16.78 Cr of Ashiana Manufacturing India Ltd.

Brickwork Ratings (BWR) has revised the following **Ratings**<sup>1</sup> for the Bank Credit facilities of Ashiana Manufacturing India ltd (*AMIL or “the Company”*).

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Revised Rating	Rating History
<b>Fund Based</b>					
<b>Cash Credit</b>	<b>10.60</b>	<b>10.60</b>	<b>Long Term</b>	<b>BWR BB+</b> (BWR Double B Plus) <b>(Outlook-Stable)</b>	<i>BWR BB</i> ( <i>BWR Double B</i> ) (Outlook-Stable) (July 2013)
<b>Term Loan (O/S)</b>	<b>9.99</b>	<b>5.68</b>			
<b>Non Fund Based</b>					
<b>Bank Guarantee</b>	<b>0.50</b>	<b>0.50</b>	<b>Short Term</b>	<b>BWR A4+</b> (BWR A Four Plus)	<i>BWR A4</i> ( <i>BWR A Four</i> ) (July 2013)
Total	<b>21.09</b>	<b>16.78</b>	<b>(INR Sixteen Crores Seventy Eight Lakhs only)</b>		

BWR has principally relied upon the Company’s audited financial results up to FY 13, Provisional FY14 financials, projected financials of FY 15 & FY16, publicly available information and information/clarification provided by the Company management.

The revision of ratings primarily factors successful turnaround of the company by the new management (Ashiana Group) resulting in improvement in business & financial risk profile marked by moderate growth in turnover despite slump in the industry, improved capacity utilization, healthy growth in operating and cash profits, reduction in gearing, etc.

The Rating continues to factor inter alia, experience of the current promoters of more than two decades in the business and strong brand image of the ‘Kamdhenu’ brand, , and the established marketing and distribution network of the group. However, the ratings are constrained by low profitability margins, working capital intensive nature of operations and industry characterized by intense competition from players in a range of sizes, leading to stress in profitability.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

## **Company Background**

Ashiana Manufacturing India Ltd (AMIL) was originally incorporated as Prakash Surya Industries Ltd in May 1995 and was later renamed as Surya Manufacturing (I) Ltd (SMIL) in 2000. The company was promoted by Mr Vinay Surya, the promoter of Surya Roshni Ltd. The commercial operations from the company started from January 1, 2011 with the objective of producing steel bars for construction industry. It was acquired by the current promoters in FY12, and the company was renamed to Ashiana Manufacturing India Ltd in August 2011.

The Company is engaged in manufacture of Thermo Mechanical Treatment (TMT) bars, which are used in all types of construction activities. The company has its plant located in Bhiwadi, Rajasthan with an installed capacity to produce 80000 MTs. The entire shareholding is controlled by promoters through group companies as well as individual shareholders.

## **Management**

The Board of AMIL comprises of 3 directors, including one independent director. Mr. Puneet Jain and Mr. Neeraj Jain are the promoter directors, and also in the board of other group company Ashiana Ispat Ltd, which has long track record of operations. Mr Naresh Chand who is the head of the Ashiana Group is also actively involved in AMIL. Key departments of the company are managed by qualified professionals.

## **Group Company**

The Group is operating in the TMT bars manufacturing via AMIL as well as its associate concern Ashiana Ispat Ltd (AIL). AIL is the flagship company of the Ashiana Group and is a listed entity. AIL has 13.22% holding in AMIL. Both AMIL and AIL are in the same line of business and are managed by the same promoters. The installed capacity of AIL is 80000 MT of TMT bars and 25000 MT of M.S Ingots.

## **Financial Performance**

AMIL's Net sales have grown by ~5% in FY14 to ₹291.59 Cr & by 135% to ₹277.85 Cr in FY13 compared to ₹118.03 Cr in FY12; the same is on account of the efforts of the new management. The company has posted profit before taxes of ₹4.38 Cr in FY14 against loss of ₹0.81 Cr in FY13; however due to tax credits on account of previous losses, the company posted a net profit of ₹2.49 Cr in FY13 which is close to ₹2.48 Cr in FY14. The operating margin of the company improved to 2.88% in FY14 against 1.33% in FY13 & operating losses in FY12. The networth of the company has improved to ₹10.01 Cr in FY14 against ₹7.54 Cr in FY13 & ₹2.80 Cr in FY12 on account of retention of profits & infusion of funds by promoters. The promoters have converted share application money to the tune of ₹2.25 Cr to equity in FY14. The gearing which is computed as Total Debt upon Tangible Networth improved to 1.88x in FY14 against 3.31x in FY13 and 9.71x in FY12 on account of repayment of term loan. The interest and debt coverage indicators for FY14 were at 3.25x and 1.20x respectively.

**Outlook:**

Outlook for the next year is expected to be stable. Ability of the Company to improve its top line, as also profitability margins coupled with efficient working capital management, are the key rating sensitivities

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