



## Rating Rationale

Ashika Commercial Pvt. Ltd.

28Jun2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 24.87 Crores of Ashika Commercial Pvt. Ltd.(ACPL or 'The Company')**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov,2017)	Present
Fund based Cash Credit (WCDL as sublimit)	11.75 (9.00)	11.75 (9.00)	Long Term	BWR B+ (BWR Single B Plus) (Outlook: Negative)	BWR B+ (BWR Single B Plus) (Outlook: Revised from Negative to Stable) (Reaffirmed)
Corporate Term Loan	8.00	7.87			
Non Fund Based Letter of Credit	2.50	2.50	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) (Reaffirmed)
Bank Guarantee	2.35	2.35			
Loan Equivalent Risk	0.40	0.40			
<b>Total</b>	<b>25.00</b>	<b>24.87</b>	<b>(INR Twenty Four Crores and Eighty Seven Lakhs Only)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**Ratings: Reaffirmed with revision in Outlook from Negative to Stable**

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

BWR has essentially relied upon the audited financial results of the Company up to FY18, FY19 provisional financials, projections of FY20 to FY21 and publicly available information and information/clarifications provided by the management.



The rating reaffirmation factors in Ashika Commercial Pvt Ltd.'s increase in topline in FY19(Provisional) and turnaround in FY19, change in product mix in FY18, adequate order book position that gives revenue visibility in the near term as well as the over two decades of experience of the Promoters. The ratings are however constrained by the small scale of operations, continued net losses in FY18 although the Company has reported cash profits which continued in FY19(Provisional), high gearing, low net worth, weak ISCR and DSCR and an elongated working capital cycle in FY19 (Provisional).

Going forward, the ability of the Company to achieve revenues and profits as per the projections for FY20 and improve ISCR to 2.0x would be the key rating sensitivities.

### **Credit Strengths**

- *Revenues and Product Mix:* In FY19, ACPL has changed its product mix and started manufacturing of Locomotive Bogies for which the company had completed developmental orders in FY18. Net sales improved 38% y-o-y in FY19(Prov.) with increase in orders received in the Manufacturing division. About 60.5% of the total revenues in FY19 was from Loco Bogie. The company expects further orders for Locomotive Bogies as these are high speed products with increase usage.
- *Order Book:* ACPL has an order book of ~Rs.80 Crs to be executed in FY20. The company has also received developmental orders for another product LHB Shell in June 2019 to be completed by FY20. This will further expand the product line.
- *Experienced management:* ACPL has an experienced and professionally skilled management. Mr. Naresh Kumar Jain , the Founder Director, a Chartered Accountant, has more than three decades of industrial experience. Mr. Vinod Jain holds a B.Sc degree and has been associated with the company as one of its Directors. He is an experience of over 30 years for handling various projects of Railway, Defence, Power sector, etc.

### **Credit Risks:**

- *Small Scale of operations:* The company has a small scale of operations with revenues of Rs.38.52Crs in FY19(Provisional).
- *Profitability:* Operating profits have improved in FY18 and FY19 owing to a shift to high margin product. Net losses continues until FY18 due to high interest and Finance costs followed by thin profitability in FY19(provisional).
- *High Gearing & Weak Credit Metrics:* ACPL has a working capital intensive business. The company optimally utilises its working capital limits. The also availed bank term loans for Capex in FY17. High debt coupled with a low net worth (Rs.4.26Crs as on March 31, 2019) led to total gearing of 7.0x to 10.0x in the last three years. ISCR was low at 1.44x while DSCR was below 1.0x in FY19 (Provisional).
- *Operating Cycle:* ACPL's net operating cycle has remained high at over one year due to its high inventory conversion period. Although the cycle improved in FY19(Provisional) to 177 days it is still at a high.



### **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 **Ashika Commercial Pvt. Ltd.** 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 1987, Ashika Commercial Private Limited (ACPL) was promoted by Mr. Naresh Kumar Jain. The Company is engaged in manufacturing of Air Springs, Beam Weldment, precision-machined metal components, fabrication of railway bogies etc. The Company is also the sole largest distributor of Anti Vibration Mounts like Side Bearer, UD Bush, Hydro Mount, etc of UK-based Trelleborg Industrial Anti-Vibration System (TIAVS). Recently, the company added Locomotive Bogies to its product line. In 2007-08, ACPL established Suspension Systems Division (SSD division) in Rajasthan in technical collaboration with TIAVS. SSD division, spread over an area of around 66,000 sq. ft, is engaged in the manufacture of superior quality suspension springs and machining metal parts. In 2010, the Company started its second manufacturing unit at Rajasthan known as Engineering Systems Division (ESD division). The unit is spread over a wide area of around 70,000 sq. ft to cater to diverse demand in fabrication and machining jobs.

### **Company Financial Performance**

ACPL reported Net Sales of Rs. 38.52 Crores in FY19 (Provisional) against Rs. 27.92 Crores in FY18. Operating profit margin is at 16.32% (FY18: 14.91%) and net margins is at 0.37% (FY18:-6.54%) in FY19(Provisional). As of Mar 31, 2019, tangible net worth of the Company stood at Rs. 4.26 Crs.

**Rating History for the last three years**

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	01, Mar, 2019	29,Nov,2017	16,Jun,2016
1.	Fund Based Cash Credit	Long Term	11.75	BWR B+ (BWR Single B Plus) (Reaffirmed) (Outlook:Revised from Negative to Stable)	Rating Not Reviewed BWR B+ (BWR Single B Plus) (Reaffirmed) (Outlook: Negative)	BWR B+ (BWR Single B Plus) (Reaffirmed) (Outlook: Revised from Stable to Negative)	BWR B+ (BWR Single B Plus) (Reaffirmed) (Outlook: Stable) (Assigned)
	Corporate Term Loan		7.87				
2.	Non Fund Based Letter of Credit	Short Term	2.50	BWR A4 (BWR A Four) (Reaffirmed)	Rating Not Reviewed BWR A4 (BWR A Four)	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four) (Assigned)
	Bank Guarantee		2.35				
	Loan Equivalent Risk		0.40				
<b>Total</b>			<b>24.87</b>	<b>₹Twenty Four Crores and Eighty Seven Lakhs Only)</b>			

Status of non-cooperation with previous CRA (if applicable)-NA  
Any other information:NA

**Key Financial Indicators**

Key Parameters	Units	2017	2018
Result Type		Aud.	Aud.
Operating Revenue	Rs. in Crs	23.33	27.92
EBITDA	Rs. in Crs	1.34	4.16
PAT	Rs. in Crs	(1.83)	(4.45)
Tangible Net worth	Rs. in Crs	5.90	4.07
Total Debt/Tangible Net worth	Times	7.36	9.95



Current Ratio	Times	1.66	1.73
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### Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### About Brickwork Ratings

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**Ashika Commercial Private Limited**  
**Bank Facilities**  
**Annexure I**

Facilities	Tenure	Facility Type	Previous Amount Rated (Rs. Crs)	Present Amount Rated (Rs. in Crs)
Cash Credit	Long Term	Fund Based	11.75	11.75
Corporate Term Loan	Long Term	Fund Based	8.00	7.87
Letter of Credit	Short Term	Non-Fund Based	2.50	2.50
Bank Guarantee	Short Term	Non-Fund Based	2.35	2.35
LER	Short Term	Non-Fund Based	0.40	0.40
<b>Total (Rs. Twenty Four Crores and Eighty Seven Lakhs Only)</b>			<b>25.00</b>	<b>24.87</b>