

## Rating Rationale

### Brickwork Ratings assigns 'BWR B+' and 'BWR A4' to the Bank Facilities of Ashika Commercial Private Ltd aggregating to ₹ 30.25 Cr

Brickwork Ratings has assigned the following **Ratings**<sup>1</sup> to the Bank Loan Facilities of Rs.30.25 Cr of Ashika Commercial Pvt Ltd (ACPL or the 'Company'):

Facility	Limits (₹ Cr)	Tenure	Rating
<b>Fund Based</b> Cash Credit Term Loan-I* Term Loan-II^	<b>15.00</b> <b>4.90</b> <b>3.35</b>	<b>Long Term</b>	<b>BWR B+</b> <b>(Pronounced BWR B Plus )</b> <b>Outlook: Stable</b>
<b>Non Fund Based</b> Letter of Credit Letter of Guarantee	<b>3.00</b> <b>4.00</b>	<b>Short Term</b>	<b>BWR A4</b> <b>(Pronounced BWR A Four )</b>
<b>Total</b>	<b>30.25</b>	<b>INR Thirty Crores &amp; Twenty Five Lakhs only</b>	

#### Banker: Indian Overseas Bank

\* Term Loan-I outstanding as on 14.06.2016.

^Term Loan-II sanctioned Rs.3.35 Crores and partially disbursed Rs.0.09 Crore.

BWR has principally relied upon the audited financial results up to FY15, provisional financials of FY16 and projected financial statements of FY17 & FY18, publicly available information and information/clarification provided by the Company's management.

The rating factors in the Company's exposure to high customer concentration risk with Indian Railway being its single major customer. The rating is also constrained by modest scale of operations and inconsistency in revenue growth on account of variability in order inflows from Railways. The Company's financial risk profile remains weak as reflected by low debt protection metrics and elongated working capital cycle due to high inventory days. Nevertheless, the rating derives comfort from the long standing experience of the promoters and adequate order book position, indicating revenue visibility. Recently, the Company has been upgraded as a Part I Railway approved vendor for manufacture and supply of Bogie Frames.

#### Background

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).

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

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 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.

### Management

Mr. Naresh Kumar Jain is the Founder Director of ACPL and has more than three decades of experience in the industry. Mr. Vinod Kumar Jain is also one of the directors in the Company, with a rich work experience of over 28 years for handling various projects of Railway, Defence, Power sector, etc.

### Financial Performance

ACPL reported Total Operating Income of Rs. 33.48 Crores in FY15 against Rs. 29.47 Crores in FY14. As of Mar 31, 2015, tangible net worth of the Company stood at Rs. 14.03 Crores. In FY 15, the Company reported Operating Profit of Rs. 3.19 Crores against Rs. 0.29 Crore in FY14.

Further, as per provisional information provided by the Company's management, the Company has achieved total operating income of Rs 23.04 Crores in FY16.

### Rating Outlook

The outlook is expected to be stable in the current year. Going forward, the Company's ability to improve its scale of operations, profitability and efficient management of working capital shall remain the key rating sensitivities.

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