

## Rating Rationale

**Ashika Commercial Private Limited**

**29th November 2017**

**Brickwork Ratings reaffirms 'BWR B+' (outlook: Negative) and 'BWR A4' to the Bank Facilities of Ashika Commercial Private Ltd aggregating to Rs. 25.00 Crs.**

### Particulars

Facility	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating	Ratings
<u>Fund Based</u>			<b>Long Term</b>	<b>BWR B+</b> (Pronounced BWR B plus) <b>Outlook: Stable</b>	<b>BWR B+</b> (Pronounced BWR Single B Plus) <b>Outlook: Negative (Reaffirmed)</b>
<b>Cash Credit</b>	<b>15.00</b>	<b>11.75</b>			
<b>Term Loan 1</b>	<b>4.90</b>	<b>0.00</b>			
<b>Term Loan 2</b>	<b>3.35</b>	<b>0.00</b>			
<b>Corporate Term Loan</b>	<b>0.00</b>	<b>8.00</b>			
<u>Non-Fund Based</u>			<b>Short Term</b>	<b>BWR A4</b> (Pronounced BWR A Four)	<b>BWR A4</b> (Pronounced BWR Single A Four) <b>(Reaffirmed)</b>
<b>Letter of Credit</b>	<b>3.00</b>	<b>2.50</b>			
<b>Bank Guarantee</b>	<b>4.00</b>	<b>2.35</b>			
<b>LER</b>	<b>0.00</b>	<b>0.40</b>			
<b>Total</b>	<b>30.25</b>	<b>25.00</b>		(INR Twenty Five Crores Only)	

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

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

The reaffirmation factors in the Company's sustained weak financial profile as reflected in the Net Losses (Rs.5.75crs in FY17 from Rs.3.71crs in FY16) leading to a sharp decline in Total Net Worth (Rs.4.59crs in FY17 from Rs.10.34crs in FY16), high gearing (9.57x as per provisional FY17 from 3.84x in FY16), low debt protection metrics (ISCR: 0.27x and DSCR: 0.24x as per provisional FY17) and an elongated working capital cycle due to high inventory days.

The company also reported lower than expected revenues and a higher than expected net loss for FY17. The ratings are also constrained by exposure to high customer concentration risk with Indian Railway being its single major customer, modest scale of operations and inconsistency in revenue growth on account of variability in order inflows from Railways.

Nevertheless, the rating derives comfort from the long standing experience of the promoters and adequate order book position, indicating revenue visibility.

## **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).

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. Recently, the Company has been upgraded as a Part I Railway approved vendor for manufacture and supply of Bogie Frames.

## **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. 23.32 Crores in FY17 (Provisional) against Rs. 21.75 Crores in FY16. As of Mar 31, 2017, tangible net worth of the Company stood at Rs. 4.59 Crores as against Rs.10.34 crores in FY16. The Company reported Operating Profit of Rs. 1.44 Crores in FY17 (Provisional) against Rs. 1.08 Crore in FY16.

## Rating Outlook

The outlook is expected to be Negative 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.

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

Instrument/Facility	Rated Amount in Crs	Current Rating (2017)	Rating History		
			16/06/16	19/05/15	2014
Cash Credit	11.75	BWR B+ (Outlook:Negative)	BWR B+ (Outlook: Stable)	Not Rated	Not Rated
Corporate Term Loan	8.00	<b>(Reaffirmed)</b>			
Letter of Credit	2.50	BWR A4 <b>(Reaffirmed)</b>	BWR A4	Not Rated	
Bank Guarantee	2.35				
LER	0.40				
<b>Total</b>	<b>25.00</b>	<b>(INR Twenty Five Crores Only)</b>			

Status of non-cooperation with previous CRA (if applicable): Not Applicable  
Hyperlink/Reference to applicable Criteria

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

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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](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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

### **DISCLAIMER**

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**Ashika Commercial Private Limited**

**Bank Facilities**

**Annexure I**

Facilities	Tenure	Facility Type	Amount Rated (Rs. Crs)*
Cash Credit	Long Term	Fund Based	11.75
Corporate Term Loan	Long Term	Fund Based	8.00
Letter of Credit	Short Term	Non-Fund Based	2.50
Bank Guarantee	Short Term	Non-Fund Based	2.35
LER	Short Term	Non-Fund Based	0.40
<b>Total</b>			<b>57.00</b>

**Annexure 11**

(Rs. In Crores)

Particulars	FY2016-17 (Provisional)	FY2015-16
Net Sales/Revenues	23.32	21.75
EBIDTA	1.44	1.08
PAT	5.75	3.71
Tangible Networth	4.59	10.34
Total Debt : TNW	9.57	3.84
Current Ratio	1.73	1.31