

Rating Rationale

Brickwork Ratings assigns ‘BWR BB+’ for Long Term Facilities of ₹ 13.00 Cr & ‘BWR A4+’ for Short Term Facilities of ₹ 1.25 Cr to Ashutosh Metal Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities sanctioned by State Bank of India to Ashutosh Metal Pvt. Ltd. (AML)

Facility	Limits (₹ Cr)	Tenure	Rating
<u>Fund Based</u>			
TL	1.00	Long Term	BWR BB+ (Pronounced BWR Double B Plus)
CC	12.00		Outlook-Stable
<u>Non Fund Based</u>			
BG	1.25	Short Term	BWR A4+ (Pronounced BWR A Four Plus)
Total	14.25	(INR Fourteen Crore Twenty Five Lakhs only)	

BWR has principally relied upon the audited financial results of Ashutosh Metal Pvt Ltd up to FY 14, and further projected financials, publicly available information and information/clarification provided by the Company management.

The assigned rating is constrained by relatively modest financial risk profile in terms of profitability and overall gearing, its working capital intensive nature of operations, susceptibility to raw material price volatility, and competitive industry dominated by a large number of secondary players and few large integrated players limits the pricing power of the company for a commoditized product. The rating takes cognizance of the experienced promoters, improvement in better capacity utilization, start commercial production by subsidiary company, growing revenues and favourable growth outlook in the industry.

Background

Ashutosh Metal Pvt. Ltd was incorporated in 1999 as a closely held private limited Company. The company is engaged in manufacturing of in manufacturing of Stainless Steel Ingots and

¹ Please refer to www.brickworkratings.com for definition of the Ratings

flats which are used in various industries such as manufacture household utensils, manufacturing of SS Pipes, manufacture of furniture etc.

The company's manufacturing facilities are located in Ahmedabad, Gujarat with an installed capacity of about 12,000 TPA for Ingot and 36,000 TPA of SS Rolling.

The company has invested in M/s Avdesh Steel Works Pvt. Ltd which is into the manufacturing of Ingot from Scarp. It is 100% subsidiary of Asutosh Metal Pvt Ltd

Operations

AML sources substantial portion of its raw materials from various players spread in Gujarat, Maharashtra, Rajasthan such as JSW, Uttam Galva and few other traders. The key raw materials used in production are Stainless Steel Scrap. AML's business is not dependent on single customer it has large customer based, as top five customers are contributing only ~18 per cent in the revenue generation of the company. The company generates all of its revenues from domestic markets. JAFPL has expanded its scale of operations and capacity utilization which has increased to ~66% in FY14 resulted in increase in sales volume.

Financial Performance

Financial performance of AML is characterized by increasing revenue, reduction in profitability margins and moderate capital structure. Total operating income has registered a year-over-year growth of ~5% in FY14 over FY13 mainly on account of increase in sales volume. Despite growth in operating income, decrease in overall profits in absolute terms, EBITDA and PAT margin had declined by 47 bps and 4 bps respectively in FY14 compared to FY13 on account of huge variation in raw material prices and limited ability of the company to pass on the same to the end users

The solvency position remained moderate, though improved, on account of high working-capital borrowings as on March 31, 2013. The overall capital structure of AML has improved which is reflected in overall gearing of 0.82x as on March 31, 2014 against 1.05x as on March 31, 2013 due to reduction of debt and accretion of profits. Nevertheless the overall gearing expected to increase due borrowed capex plan of subsidiary company and high dependence on working capital borrowings to support its growing scale of operations. The debt coverage indicator DSCR and ISCR has improved to 1.81 x and 2.37x respectively in FY 14 against 1.66x and 2.29x in FY 13. The liquidity indicators remained moderate mainly on account of better credit terms. Working-capital limit utilization also remained moderate at 75% during the last 12 months period ended January 2015. As per the provisional results for till Feb15, AML has reported a total income of Rs.111.68 Cr and PAT of Rs. 1.82 Cr

Rating Outlook

Going forward, the ability of company to consistently scale up its operations, manage working capital effectively, withstanding volatile raw material prices along with improvement in profitability and capital structure are the key rating sensitivities.

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