

13May2020

RATING RATIONALE

ASP Sealing Products Ltd

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 20.66 crores of ASP Sealing Products Ltd.

Particulars

Facility/ Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Feb'18)	Present
Fund based	12.73	12.50	Long Term	BWR BB Stable	BWR BB Stable Reaffirm
Non Fund Based	8.00	8.16	Short Term	BWR A4+	BWR A4+ Reaffirm
Total	20.73	20.66	INR Twenty crores and sixty six lakhs only.		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

**Annexure-I provides details of bank wise facilities

RATING ACTION / OUTLOOK

BWR has reaffirmed the rating of ASP Sealing Products Ltd to BWR BB Stable/A4+ deriving strength from the extensive experience of its promoters of around four decades, moderate credit risk profile of the company and increased revenues in FY19. However, the rating is constrained by intense competition in the industry, elongated conversion cycle, current slowdown in the auto sector and effect of lockdown due to COVID-19.

KEY RATING DRIVERS

Credit Strengths:

- **Extensive Experience of Promoters:** The business is run by family members viz MD and chairman Mr. Gurdeep Singh Anand, directors Mrs Jatinder Kaur and Mr Rishipal Singh Anand. The promoters are having around four decades of experience in the industry thereby having the advantage of enjoying long term relationships with their customers and suppliers.
- **Moderate Credit Risk profile** marked by low gearing of 0.86x due to low debt levels as no additional term loan is taken by the company. The old term loan has since been repaid. Tangible net worth (analysed) at Rs. 28.40 crs and current ratio of 1.39x in FY19 are considered to be at moderate levels. The total cash accruals of Rs. 4.51 crs against CPLTD of Rs. 1.85 crs in FY19 are also considered moderate. Due to increase in revenues in FY19, the company has achieved operating profitability of 7.58% in FY19 and net profitability margin of 1.06% in FY19.
- **Increased Revenues in FY19:** There has been an increase in revenue in FY19 to Rs. 90 crs registering a growth of 16.65% over FY18 revenue of Rs.77.15 crs. However there is a decline of revenue during FY20 to Rs.65 crs, as informed by management, partially due to Covid-19 lockdown.

Credit risks:

- **Elongated Conversion Cycle:** The conversion cycle of the company is high at 112 days due to high days receivables of 107, though partially offset by payable days of 68. Historically the receivables have been at higher levels viz 211 in FY17 and 142 in FY18, thus straining the liquidity.
- **Intense Competition:** The company faces stiff competition from other numerous large and small players which limits the pricing flexibility of the industry participants and consequently exerts pressure on margins.



- **Current Slowdown in the auto sector:** Low demand in recent months has led to a massive slowdown in the auto sector of the country which has also impacted auto ancillary companies. Though, the long term outlook of the auto sector is positive.
- **Covid 19 Effect:** Amidst current situation due to Covid-19 lockdown, the auto industry in India has witnessed multiple disruptions, viz on production front and also on demand side, as manufacturing activity at automobile factories came to halt. This will affect the revenues in the short to medium term. The management of the company informed that Sales will resume from 1st June 2020 as currently the production is ceased due to the lockdown.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Going forward the ability to achieve the projections and maintain a Strong credit profile would remain the key rating sensitivities.

Positive: Rating may be upgraded in case projections are met and the firm is able to generate sufficient revenue and profit margins.

Negative: Rating may be downgraded in case projections are not met i.e. firm is not able to generate sufficient revenues.

LIQUIDITY POSITION (Adequate)

Current ratio stands at 1.39x in FY19 and cash and cash equivalents stand at Rs.0.52 crs. Total cash accruals stand at Rs.4.51 crores against CPLTD of Rs.1.85 crs is considered moderate. The old term loan has also been repaid now. Taking into account the above, the liquidity position is considered to be adequate.



COMPANY PROFILE

ASP Sealing Products Ltd was incorporated on 1st May, 1989 in the name of Anand SAIAG Pvt. Ltd. Thereafter on 07/11/1994 it was converted into a closely held Public Limited Company and on 19.08.1996 the name of the Company was changed to ASP Sealing Products Ltd (ASP). The registered office of the company is in New Delhi. The manufacturing facility is in Gajraula, U.P. Regional offices are located in Kolkata, Mumbai, Chennai & Pune. The company is manufacturing items like EPDM door seals rubber profiles for Automobiles Industries and industrial hoses. Presently, Mr. Gurdeep Singh Anand, Mrs. Jatinder Kaur Anand and Mr. Rishipal Singh Anand are the Directors.

KEY FINANCIAL INDICATORS (Rs in crs)

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Operating Income	₹ Cr	77.15	90.00
EBITDA	₹ Cr	-4.46	6.83
PAT	₹ Cr	-10.26	0.95
Tangible Net worth (Analysed)	₹ Cr	27.76	28.40
Total Debt/Tangible Net worth (Analysed)	Times	0.68	0.73
Current Ratio	Times	1.28	1.39

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: None



NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : CRISIL B+ Stable/ A4 Issuer Non Cooperating as on 4th July 2019

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Facility	Current Rating (2020)			Rating History		
	Type	Amount (₹ Crs)	Rating	2019	2018	2017
Fund Based	Long Term	12.50	BWR BB Stable Reaffirmed	-	BWR BB Stable	-
Non-fund Based	Short Term	8.16	BWR A4+ Reaffirmed		BWR A4+	
Total		20.66	INR Twenty crores and sixty six lakhs only.			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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(ASP Sealing Products)

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	State Bank of India	CC Limit	12.50	-	12.50
2.		LC	-	8.00	8.00
3.		CEL	-	0.16	0.16



Total: Rupees Twenty Crores and Sixty Six Lakhs only	20.66
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