

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB' & 'BWR A4' for Bank Credit Facilities aggregating ₹ 38.35 Cr of Ashiana Ispat Limited

Brickwork Ratings (BWR) has assigned the following **Ratings<sup>1</sup>** for the Bank Credit Facilities of ₹ 38.35 Cr of Ashiana Ispat Limited (AIL).

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit(CC)	29.00	Long Term	<b>BWR BB</b> ( <i>BWR Double B</i> )  <b>Outlook-Stable</b>
SLC	4.35	Short Term	<b>BWR A4</b> ( <i>BWR A Four</i> )
Letter of Credit(LC)	4.50		
Bank Guarantee	0.50		
<b>Total</b>	<b>38.35 (Thirty Eight Crore &amp; Thirty Five Lacs only)</b>		

BWR has principally relied upon the Company's audited financial results up to FY 13, projected financials of FY 14, publicly available information and information/clarification provided by the Company management.

The ratings factor, inter alia, experience of the promoters of more than two decades in the business and strong brand image of the 'Kamdhenu' brand. The ratings also draw comfort from the established marketing and distribution network of the company. However, the ratings are constrained by AIL's average financial risk profile marked by low profitability margins, moderate gearing and weak debt protection metrics. The ratings are further constrained by working capital intensive nature of operations on account of stretched receivables and Industry characterized by intense competition from players in a range of sizes, leading to stress in profitability .

### Company Background

Ashiana Ispat Limited (AIL) was established in 1992 with the objective of producing steel bars for construction industry. It was acquired in 1996 by the promoters Mr Naresh Chand and Mr Satish Agrawal who were then the joint promoters of Kamdhenu Ispat Ltd which was established in 1995 for the production of TMT bars. In 2003, The Agrawal & Jain families split and under the arrangement, Kamdhenu Ispat Ltd went under the management of the Agrawal family and Ashiana Ispat Ltd went under the Jain Family. There was also an

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

agreement between the two that both the companies will use the 'Kamdhenu' brand name for 99 years since both the families were original promoters of the brand.

The Company is currently engaged in manufacturing of Thermo Mechanical Treatment (TMT) bars and also MS ingots which are captively used to produce TMT bars. The Company's TMT steel bars are used in all types of construction activities. The company has an automatic plant located in Bhiwadi , Rajasthan with an installed capacity to produce 80000 MT of TMT Bars and 25000 MT of M.S Ingots. The company is an ISO 9001:2000 certified company, and listed in BSE, though not much traded The promoters hold about 35.67% of the shares.

### **Management**

The Board of AIL comprises of 9 directors, including 4 independent directors. Naresh Chand, his son Puneet Jain, and his brothers-in-law Sanjay Jain and Neeraj Jain are the important members. Key departments of the company are managed by qualified professionals.

### **Group Company**

The Group is operating in the TMT bars manufacturing via AIL as well as its associate concern Ashiana Manufacturing India Ltd (AMIL). AIL has 19.99% holding in AMIL. Both AMIL and AIL are in the same line of business and are managed by the same promoters. The installed capacity of AMIL is 80000 MT of TMT bars. AMIL was earlier known as Surya Manufacturing India ltd promoted by Mr Vinay Surya of the Surya Roshni group .The promoters sold their entire stake to the Jain family in FY 2012.

### **Financial Performance**

AIPL's Net sales have declined marginally to ₹265.75 cr in FY13 against ₹272.58 cr in FY12. The net profit of the company declined sharply and stood at ₹0.15 crores in Fy13 against ₹2.38 crores in FY12; the fall is on account of slowdown in demand leading to pressure on margins in the highly competitive TMT bars industry. The Pat margin of the company was just 0.05% in FY13 against 0.84% in FY12. The networth was almost static at ₹18.48 crores in FY13. However the promoters have been infusing funds in the company in the form of unsecured loans and the level of USLs was ₹12.95 crores in FY13. The gearing which is computed as Total Debt upon Tangible Networth was 2.34x in FY13, however considering the unsecured loans as quasi equity the gearing comes to 0.96x. The working capital cycle of the company has elongated on account of increasing amount of Debtors outstanding for more than 6 months. However the same is partially financed via trade creditors whose holding period has increased. The interest Service coverage ratio was 0.94x in FY13 which also includes interest on unsecured loans paid to the related parties.

### **Outlook:**

The group has a higher manufacturing capacity now. On account of overall slow-down in the economy including in the infrastructure and certain areas of real estate segment, the demand for AIL's products can be expected to be subdued. Ability of the Company to

improve its top line, as also profitability margins coupled with efficient working capital management, are the key rating sensitivities

<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons

**Annexure: Key financials of AIPL**

₹ Crores

<b>Particulars</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>
Result Type	Audited	Audited	Audited
Net Sales	257.86	272.58	265.25
Total Operating Income	259.28	273.67	270.92
EBITDA	9.02	10.71	6.00
Profit After Tax	2.33	2.38	0.15
Total Debt	32.87	41.74	43.22
Debt - Equity Ratio (Times)	2.05	2.27	2.34
Interest Coverage Ratio (Times)	2.26	1.85	0.94
Tangible Net Worth (₹Crores)	16.05	18.37	18.48
PAT Margin (%)	0.90%	0.87%	0.05%
Net Cash Accruals to total Debt (%)	0.12	0.09	0.04
ROCE (%)	16.42%	16.62%	7.17%