

Rating Report

Brickwork Ratings revises ratings for Bank Credit Facilities aggregating ₹ 16.78 Cr of Ashiana Manufacturing India Ltd.

Brickwork Ratings (BWR) has revised the following **Ratings**¹ for the Bank Credit Facilities of Ashiana Manufacturing India Ltd (*AMIL* or “the Company”).

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Revised Ratings	Rating History
Fund Based					
Cash Credit	10.60	10.60	Long Term	BWR BB+ (BWR Double B Plus) (Outlook: Stable)	BWR BB (BWR Double B) (Outlook: Stable) (July 2013)
Term Loan (O/S)	9.99	5.68			
Non Fund Based					
Bank Guarantee	0.50	0.50	Short Term	BWR A4+ (BWR A Four plus)	BWR A4 (BWR A Four) (July 2013)
Total	21.09	16.78	(INR Sixteen Crores Seventy Eight Lacs Only)		

BWR has principally relied upon the Company’s audited financial results up to FY 13, Provisional FY14 financials, projected financials of FY 15 & FY16, publicly available information and information/clarification provided by the Company management.

The revision of ratings primarily factors successful turnaround of the company by the new management (Ashiana Group) resulting in improvement in business & financial risk profile marked by moderate growth in turnover despite slump in the industry, improved capacity utilization, healthy growth in operating and cash profits, reduction in gearing, etc.

The Rating continues to factor inter alia, experience of the current promoters of more than two decades in the business and strong brand image of the ‘Kamdhenu’ brand, , and the established marketing and distribution network of the group. However, the ratings are constrained by low profitability margins, working capital intensive nature of operations and industry characterized by intense competition from players in a range of sizes, leading to stress in profitability.

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

Company Background

Ashiana Manufacturing India Ltd (AMIL) was originally incorporated as Prakash Surya Industries Ltd in May 1995 and was later renamed as Surya Manufacturing (I) Ltd (SMIL) in 2000. The company was promoted by Mr Vinay Surya, the promoter of Surya Roshni Ltd. The commercial operations from the company started from January 1, 2011 with the objective of producing steel bars for construction industry. It was acquired by the current promoters in FY12, and the company was renamed to Ashiana Manufacturing India Ltd in August 2011.

The Company is engaged in manufacture of Thermo Mechanical Treatment (TMT) bars, which are used in all types of construction activities. The company has its plant located in Bhiwadi, Rajasthan with an installed capacity to produce 80000 MTs. The entire shareholding is controlled by promoters through group companies as well as individual shareholders.

Management

The Board of AMIL comprises of 3 directors, including one independent director. Mr. Puneet Jain and Mr. Neeraj Jain are the promoter directors, and also in the board of other group company Ashiana Ispat Ltd, which has long track record of operations. Mr Naresh Chand who is the head of the Ashiana Group is also actively involved in AMIL. Key departments of the company are managed by qualified professionals.

Group Company

The Group is operating in the TMT bars manufacturing via AMIL as well as its associate concern Ashiana Ispat Ltd (AIL). AIL is the flagship company of the Ashiana Group and is a listed entity. AIL has 13.22% 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 AIL is 80000 MT of TMT bars and 25000 MT of M.S Ingots.

Financial Performance

AMIL's Net sales have grown by ~5% in FY14 to ₹ 291.59 Crores and by 135% to ₹ 277.85 crores in FY13 compared to ₹118.03 crores in FY12; the same is on account of the efforts of the new management. The company has posted profit before taxes of ₹4.38 Crores in FY14 against loss of ₹0.81 crores in FY13; however due to tax credits on account of previous losses, the company posted a net profit of ₹2.49 crores in FY13 which is close to ₹2.48 Crores in FY14. The operating margin of the company improved to 2.88% in FY14 against 1.33% in FY13 and operating losses in FY12. The networth of the company has improved to ₹10.01 Crores in FY14 against ₹7.54 crores in FY13 and ₹2.80 crores in FY12 on account of retention of profits and infusion of funds by promoters. The promoters have converted share application money to the tune of ₹2.25 Crores to equity in FY14. The gearing which is computed as Total Debt upon Tangible Net worth improved to 1.88x in FY14 against 3.31x in FY13 and 9.71x in FY12 on account of repayment of term loan. The interest and debt coverage indicators for FY14 were at 3.25x and 1.20x respectively.

Credit Risk Assessment

The new promoters have made significant efforts to turnaround the company since FY12 and the financials of FY13 & FY14 have shown good improvement. The company has become profitable, and accumulated losses have been wiped out.. On the operational front also there is improvement where the capacity utilization of AMIL improved from 88.51% in FY13 to 97.50% in FY14. However on account of overall slow-down in the economy including in the infrastructure and certain areas of real estate segment, the demand for AMIL's products was subdued in the last fiscal. However, the debt servicing commitment being modest, the company has adequate cash surplus to take care of the same. FY15 performance is estimated to be better for the industry, based on the policy initiatives of the new government, which is expected to have a positive impact on the infrastructure segment.

Outlook:

Outlook for the next year is expected to be stable. Ability of the Company to improve its top line, as also profitability margins coupled with efficient working capital management, are the key rating sensitivities.

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Annexures: Key Financials

Annex I: Balance sheet of AMIL

₹ Crores

Particulars	31/Mar/2012	31/Mar/2013
Result Type	Audited	Audited
Liabilities		
EQUITY AND RESERVES	2.80	7.54
Share capital	2.93	2.93
Share Application money Pending allotment	0.00	2.25
Reserves and Surplus	-0.12	2.36
Non-current liabilities	14.38	9.24
Long-Term Borrowings	12.99	9.21
Deferred tax Liabilities (Net)	1.23	0.00
Other Long Term liabilities	0.16	0.02
Current liabilities	29.86	57.94
Short-Term Borrowings	11.36	12.83
Current Portion Of Long Term Debt	2.88	2.88
Trade Payables	13.24	40.73
Other Current Liabilities	1.54	0.94
Short-Term Provisions	0.84	0.57
Total Liabilities	47.04	74.71
ASSETS		
Non-Current Assets	29.40	31.13
Net Fixed Assets	28.98	28.68
Deferred Tax Assets (Net)	0.00	2.07
Long Term Loans and Advances	0.38	0.36
Other Non-Current Assets	0.03	0.03
Current assets	17.65	43.58
Inventories	7.26	10.98
Trade Receivables > Six Months	1.29	1.42
Trade Receivables < Six Months	4.35	23.95
Cash and Cash Equivalents	0.52	2.41
Short-Term Loans and Advances	0.54	0.24
Other Current Assets	3.68	4.58
Total Assets	47.04	74.71

Annex II: Income Statement of AMIL

₹ Crores

Particulars	31/Mar/2012	31/Mar/2013
Result Type	Audited	Audited
Gross Sales	130.45	312.32
Excise Duty/Sales Tax	12.42	34.47
Net Sales	118.03	277.85
Other Operating Income	0.00	0.00
Total Operating Income	118.03	277.85
Operating Expenses	120.00	274.16
OPBDIT	-1.97	3.70
Depreciation/Amortization/Impairment	1.17	1.49
OPBIT	-3.14	2.21
Interest and Finance Charges	3.67	3.05
OPBT	-6.81	-0.85
Non-Operating Income (Expenses)	0.04	0.03
PBT	-6.77	-0.81
Provision for Taxes	0.86	-3.30
PAT	-7.63	2.49

Particulars		31/Mar/2012	31/Mar/2013
Result Type		Audited	Audited
Net Cash Accruals	₹ Crores	-6.45	0.68
Long Term Borrowings	₹ Crores	12.99	9.21
Short Term Borrowings	₹ Crores	11.36	12.83
Total Debt	₹ Crores	27.23	24.92
Tangible Net Worth	₹ Crores	2.80	7.54
Total Debt/TNW	Times	9.71	3.31
TOL/TNW	Times	14.61	8.58
ISCR	Times	-0.54	1.21
DSCR	Times	-0.76	1.19
Net Cash Accruals/Total Debt	Times	-0.24	0.03
Net Profit Margin	%	-6.46	0.89
Operating Profit Margin	%	-1.67	1.33
ROCE	%	-10.05	7.16
Current Ratio	Times	0.59	0.75
Days Receivables	Days	17	20
Days Inventory	Days	23	12
Days Payable	Days	46	38