Brickwork
for Informed Investment Decisions
RATINGS

Rating Rationale

Brickwork Ratings assigns 'BWR BB' and 'BWR A4' for the Bank Credit Facilities aggregating ₹ 21.09 Cr of Ashiana Manufacturing India Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Credit Facilities of ₹ 21.09 Cr of Ashiana Manufacturing India Ltd.

Facility	Limits (₹ In Cr)	Tenure	*Rating*
Cash Credit(CC)	**10.60**	**Long Term**	**BWR BB** *(BWR Double B)* ***Outlook:Stable***
Term Loan	**9.99**		
Bank Guarantee	**0.50**	**Short Term**	**BWR A4** *(BWR A Four)*
Total	**21.09**	**(Twenty One Crores and Nine lacs only)**	

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 current promoters of more than two decades in the business and strong brand image of the 'Kamdhenu' brand, efforts undertaken by the new management to turn around the business and their commitment to the business in the form of infusion of equity. The ratings also draw comfort from the established marketing and distribution network of the group.

However, the ratings are constrained by AMIL's below average financial risk profile marked by loss before tax, high gearing and weak debt protection metrics. The ratings are further constrained by working capital intensive nature of operations and Industry characterized by intense competition from players in a range of sizes, leading to stress in profitability.

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.

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

The Company is currently engaged in manufacturing of Thermo Mechanical Treatment (TMT) bars. The Company's TMT steel bars are used in all types of construction activities. The company has a plant located in Bhiwadi, Rajasthan with an installed capacity to produce 80000 MT of TMT Bars. The entire shareholding is controlled by promoters through holding companies as well as individual shareholders.

Management

The Board of AMIL comprises of 3 directors, including 1 independent director. Mr. Puneet Jain and Mr. Neeraj Jain are the promoter directors of the company 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 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 AIL is 80000 MT of TMT bars and 25000 MT of M.S Ingots. AIL is the flagship company of the Ashiana Group and is a listed entity.

Financial Performance

AMIL's Net sales have grown 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 loss before tax 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. The loss was on account of slowdown in demand leading to pressure on margins in the highly competitive TMT bars industry, as well as high operating costs on account of initial years of operations. The main components of the high operating costs being higher raw material costs as well as high selling, general and administrative expenses.

However the management has been able to turn around the company to generate operating profits, and the company has posted net profit of ₹0.50 crores in FY13 from loss of ₹6.81 crores in FY12. The operating margin of the company improved to 1.33% in FY13 from operating losses in FY12. The net profit margin also improved to 0.90% from net loss in FY12. The networth of the company improved to ₹7.54 crores in FY13 compared to ₹2.80 crores in FY12 on account of infusion of funds in the form of share application money as well as plough back of profits. The gearing which is computed as Total Debt upon Tangible Networth improved to 3.31x in FY13 from 9.71x in FY12 on account of infusion of funds and repayment of term loan dues. The interest and debt coverage indicators were at 1.21x and 1.19x respectively.

Outlook:

The new promoters have made significant efforts to turnaround the company and FY13 results have shown signs of improvement. 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 can be expected to be subdued. Ability of the Company to improve its top line by increasing its market share, as also profitability margins coupled with efficient working capital management, are the key rating sensitivities

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Annexure: Key financials of AMIL

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Particulars	FY2011	FY2012	FY2013
Result Type	Audited	Audited	Audited
Net Sales	67.57	118.03	277.85
EBITDA	1.44	(1.97)	3.70
Profit Before Tax	0.22	(6.77)	(0.81)
Profit After Tax	(0.19)	(7.63)	2.49
Total Debt	29.97	27.23	24.92
Debt - Equity Ratio (Times)	2.87	9.71	3.31
Interest Coverage Ratio (Times)	0.89	1.72	1.21
Tangible Net Worth (`Crores)	10.43	2.80	7.54
PAT Margin (%)	NM	NM	0.90
Net Cash Accruals to total Debt (Times)	0.02	NM	0.03
ROCE (%)	4.00	NM	5.96
Current Ratio(Times)	0.95	0.55	0.73

NM: Not Meaningful