

Asaco Private Limited

November 07, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.66	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	20.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	25.66 (₹ Twenty-Five Crore and Sixty-Six Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Asaco Private Limited to monitor the rating(s) vide e-mail communications/letters dated June 22, 2022, July 27, 2022, October 10, 2022 and October 19, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Asaco Private Limited bank facilities will now be denoted as **CARE B+; Stable and CARE A4 ISSUER NOT COOPERATING***

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been migrated to INC category due to non-availability of requisite information due to non-cooperation by Asaco Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE Ratings views information availability risk as a key factor in its assessment of credit risk

Detailed description of the key rating drivers

At the time of last rating on December 21, 2021, the following were the rating strengths and weaknesses

Key rating weaknesses

Subdued financial performance during H1FY22: The company has shifted the factory premises from Kandi, Telangana to Samuha Aerospace Park, Ibrahimpatnam, Telangana to attract good business opportunities. Due to the above-mentioned reason, the financial performance of the company remained subdued and the company has achieved total operating income of Rs.3.49 crore during H1FY22.

Decline in the orderbook level: The active order book of the company declined to Rs.27.68 crore as on December 08, 2021 (Rs.62.58 crore as on July 31, 2020). The company receives order from ISRO centres such as Liquid Propulsion Systems Centre (LPSC) and Vikram Sarabhai Space Centre (VSSC). Due to privatization of ISRO centres and Covid19 pandemic, the company was not able to grab new orders.

Working capital intensive nature of operations: The company operates in working capital intensive business with operating cycle days at 291 days during FY21 (277 days during FY20). With better realization of payments from clients, the average collection period of the company improved to 137 days during FY21 (220 days during FY20). The average working capital utilization of the company remain high at 94.05% for the 12 months ending October 31, 2021.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Small scale of operations with improvement in the profitability margins during FY21: The scale of operations of the company remains small with total operating income at Rs.21.39 crore during FY21 (Rs.19.02 crore during FY20). The company achieved PBILDT level of Rs.5.67 crore during FY21 against PBILDT losses of Rs.3.45 crore during FY20 at the back of inclusion of price escalation clause in the contracts and decrease in the employee cost. The company achieved PAT of Rs.3.16 crore against net loss of Rs.6.78 crore. With improvement in the profitability level, the PBILDT margin and PAT margin of the company stood at 26.53% and 14.80% respectively.

Moderate capital structure and debt coverage indicators: The capital structure marked by overall gearing of the company improved from 2.40x as on March 31, 2020 to 1.39x as on March 31, 2021 at the back of accretion of the profits to the networth. The networth of the company improved from 5.48x as on March 31, 2020 to Rs.8.74 as on March 31, 2021. The PBILDT interest coverage ratio of the company remain moderate and stood at 2.53x during FY21. The debt coverage indicators such as total debt/GCA and total debt/PBILDT stood at 2.55x and 2.14x during FY21.

Experienced and resourceful management team: APL which was earlier promoted by Mr. K Mohandas has resigned from the board w.e.f September 25, 2019. Currently, the Company is managed by his son, Mr. Ajit Mohandas (Managing Director), a B.Tech graduate from Indian Institute of Technology. During FY19, Mr Rajesh Kumar Kothapalli and his family acquired 75% of the stake in the Company through secondary sale. Mr.Rajesh Kumar Kothapalli, is post graduate in Finance, and has considerable experience in banking software technology. The promotes are also infusing funds in the form of unsecured loans and equity to support the operations.

Long track record of Operations: APL has commenced its operations in 1969 as a manufacturer of wire production lines, upstream and downstream equipment for different types of wire/cable extrusions lines. Later in 1980, APL has entered into Aerospace and Defence applications. Over the years company has established its relationship with key clients such as Indian Space Research Organisation (ISRO)-Liquid Propulsion Systems Centre (LPSC), Thiruvananthapuram; ISRO-Vikram Sarabhai Space Centre, Hindustan Aeronautics Limited, etc.

Prime manufacturer of certain high-quality equipment used in defence and aerospace: APL is a prime manufacturer of Hot Isostatic Presses (HIP) which is used by organization such as Indian Space Research Organization (ISRO), Advanced Systems Laboratory for Agni missile projects, Defence Metallurgical Research Laboratory, Hindustan Aeronautics limited for Sukhoi SU 30 fighter Aircraft project and VSSC - ISRO for Geosynchronous Satellite Launch Vehicle GSLV project. Apart from above APL has supplied the PS-4 engine for the satellite used for Chandrayaan and Magalyaan Mission.

Liquidity: Stretched

The liquidity profile of the company remain stretched considering subdued financial performance of the company during H1FY22 with total operating income of Rs.3.49 along with lower order book in hand indicating uncertainty about the revenue visibility. Additionally, the average working capital utilization of the company remains high at 94.05% for the past 12 months ending October 31, 2021. The debt obligation for the company during FY22 is Rs. 0.24 crore, which are expected to be met by internal accruals or infusion of unsecured loans from the promoters.

Analytical approach - Standalone**Applicable criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Policy on Default Recognition](#)

[Financial Ratios - Non Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector](#)

[Criteria on Assigning rating outlook and credit watch](#)

[Short term instruments](#)

[manufacturing sector](#)

About the company

Asaco Private Limited (APL) was promoted by Mr. K Mohandas in 1969. APL is engaged in manufacturing of equipment for Aerospace and defence applications and is one of the leading suppliers of critical aerospace components in the country. APL has its manufacturing facilities located in Samuha Aerospace Park, Ibrahimpatnam, Telangana. APL has a marquee clientele comprising of names such as Liquid Propulsion Systems Centre (LPSC), Vikram Sarabhai Space Centre (VSSC) and Hindustan Aeronautics Limited (HAL) etc.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	19.02	NA	NA	NA
PBILDT	-3.45	NA	NA	NA
PAT	-6.78	NA	NA	NA
Overall gearing (times)	2.40	NA	NA	NA
Interest coverage (times)	-1.75	NA	NA	NA

A: Audited UA: Unaudited NA: Not Available

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	01/10/2022	0.66	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	20.00	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	0.66	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (21-Dec-21)	1)CARE BB-; Stable (13-Nov-20)	1)CARE BB+; Stable (26-Aug-19)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (21-Dec-21)	1)CARE BB-; Stable (13-Nov-20)	1)CARE BB+; Stable (26-Aug-19)
3	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (21-Dec-21)	1)CARE A4 (13-Nov-20)	1)CARE A4+ (26-Aug-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Nil

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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Disclaimer:

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