

## ASM Castings Private Limited

February 22, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term / Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*(Single B Plus; Outlook: Stable / A Four ISSUER NOT COOPERATING*) and Withdrawn
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B+; Stable; ISSUER NOT COOPERATING*(Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00 (Rs. Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale and Key Rating Drivers

CARE has reviewed and reaffirmed the ratings assigned to the bank facilities of ASM Castings Private Limited (ASMCP) to 'CARE B+; Stable/ CARE A4; ISSUER NOT COOPERATING\*' (Single B Plus; Outlook: Stable/ A Four; ISSUER NOT COOPERATING\*) and has simultaneously withdrawn it, with immediate effect. The rating factors in the constraints relating to company's small though growing scale of operations, concentrated customer base and highly competitive industry. The ratings, however, continues to derive comfort from the experienced directors, moderate profitability margins and debt coverage indicators and moderate operating cycle.

*The rating withdrawal is at the request of ASM Castings Private Limited (ASMCP) and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.*

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Small though growing scale of operations

The scale of operations as marked by total operating income and gross cash accrual stood small at Rs.70.69 crore and Rs.2.38 crore for FY19 (FY refers to period April 1 to March 31) as against Rs. 54.03crore and 2.36crore in FY18. Further, the net worth base of the company stood low at Rs.5.53 crore as on March 31, 2019. The small scale of operations limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing

##### Concentrated customer base

The top five customers of the company accounted for more than 90% of sale during FY18, exposing the company to customer concentration risk. This also exposes the company's revenue growth and profitability to its customer's future growth plans. However, the company has been getting the repetitive orders for the last 10-12 years from its customers. This long-term and close relationship with its customers is reflective of the company's demonstrated ability to provide quality products.

##### Highly competitive industry

The company operates in a competitive industry wherein there is presence of a large number of players in the unorganized sectors. Hence, the players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability.

#### Key rating strengths

##### Experienced directors

The company is managed by Mr Rajiv Nayan and Mr Indivar Gupta. They have experience of around one and a half decades through their association with ACPL.

### **Moderate profitability margins and debt coverage indicators**

The PBILDT margin stood moderate at around 5.50% for the past three financial years, i.e., FY17 – FY19. Further, PAT margin stood at 1.17% in FY19 as against 1.00% in FY18. Further, owing to moderate profitability, the debt coverage indicators stood moderate for the past three financial years, FY17 – FY19 marked by interest coverage ratio of above 3x and total debt to gross cash accrual ratio of below 7.50x

### **Moderate operating cycle**

The operating cycle of the company stood moderate at 39 days for FY19 as against 34 days in FY18. The company maintains adequate inventory in form of raw material for smooth flow of production process. Inventory period stood at 17 days for FY19. ASMCPPL offers a credit period of around 1-2 month to its customers. Further, receives similar credit period from the suppliers; entailing all lead to moderate operating cycle.

### **Liquidity**

The liquidity indicators of the company stood modest as indicated by the current ratio and quick ratio that's stood at 1.20x and 0.92x for the FY 19. The average utilization of the working capital limits stood at 60% for the past 12 months period.

**Analytical approach:** Standalone

### **Applicable criteria**

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[Policy on Withdrawal of ratings](#)

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

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

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

### **About the Company**

Faridabad, Haryana based ASM Castings Private Limited (ASMCPPL) was incorporated in March, 2011 as a private limited company. The company was established in year 2005 as a proprietorship firm by Mr Rajiv Nayan and later reconstituted as private limited company in March, 2011. The company is managed by Mr Rajiv Nayan and Mr Indihar Gupta. The company is engaged in manufacturing of aluminium and zinc die casting component, i.e., brake lining. The company procures its raw material aluminium alloys from local manufacturers like Sharma Metalloys Private Limited, Century Metal Recycling Limited, Samyak Metals Private Limited and others.

<b>Brief Financials (Rs. crore)</b>	<b>FY18 (A)</b>	<b>FY19 (A)</b>
Total operating income	54.03	70.69
PBILDT	3.68	3.82
PAT	0.54	0.83
Overall gearing (times)	3.62	2.94
Interest coverage (times)	3.13	3.60

A: Audited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Fund-based - LT-Proposed fund based limits	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	0.00	Withdrawn

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (29-Jan-20)	1)CARE BB-; Stable (14-Dec-18)	-
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (29-Jan-20)	1)CARE BB-; Stable (14-Dec-18)	-
3.	Fund-based - LT-Proposed fund based limits	LT	-	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (29-Jan-20)	1)CARE BB-; Stable (14-Dec-18)	-
4.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	-	-	-	1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (29-Jan-20)	1)CARE BB-; Stable / CARE A4 (14-Dec-18)	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Proposed fund based limits	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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