Ashoka Manufacturing Private Limited

February 23, 2023

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	5.85	CARE B+; Stable	Revised from CARE BB-; Stable
Short Term Bank Facilities	3.50	CARE A4	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the Long-Term Bank Facilities of Ashoka Manufacturing Private Limited (AMPL) is in view of substantial deterioration in financial performance of the Company in FY22 (refers to the period from April 01 to March 31) marked by decline in the total operating income, incurring operating loss and stretched liquidity as evidenced from negative cash flow from operations. The ratings continue to be constrained by AMPL's small scale of operation, moderate financial risk profile & debt coverage indicators, volatility in raw material prices, stretched operating cycle and intense competition in the industry.

However, these risks are partially mitigated through its experienced management, long track record of operations and reputed clientele and improvement in financial performance in 9MFY23.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustenance of 9MFY23 performance with operating margin of 7%.
- Improvement in working capital management with gross current assets days below 160 days on a sustained basis.

Negative factors

- Sizable decline in scale of operation (turnover below Rs.15 crore) with continued loss.
- Increase in gross current assets days beyond 350 days and increased reliance on external borrowing for funding these requirements on a sustained basis.

Analytical approach: Standalone

Key weaknesses

Small scale of operations

The overall scale of operation of the company remained small and witnessed a substantial year on year decline marked by total operating income of Rs.19.03 crore during FY22 as against Rs.27.93 crore during FY21 due to weak export order (export turnover being Rs. 0.91 crore during FY22 as against Rs. 17.08 crores during FY21). Export has started picking up in current year. During 9MFY23, company has achieved total operating income of Rs. 20.09 crores (Rs. 11.52 domestic sales and Rs. 8.57 crores from Export orders).

Deterioration in financial performance in FY22 albeit improvement in 9MFY23

The company incurred operating loss of Rs. 2.17 crore during FY22 on account of substantial increase in cost of raw materials (like Brass and Aluminium). Since the company mainly executes government orders which are fixed value contract with no escalation clause, it could not pass on the increase in raw material cost. Nevertheless, the Company is expected to achieve

revenue of Rs.31 crore during FY23 given turnover of Rs. 20.06 crores achieved till December 31, 2022, and orders in hand worth Rs.10 crore to be executed by March 31, 2023.

Volatility in raw material prices

The company does not have backward integration for its basic raw-materials (Brass, Aluminium, Copper, Steel etc.) and it procures the same majorly from Malaysia, Taiwan and rest from Indian market. Since the raw-material is the major cost driver

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

and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices.

Moderate financial risk profile and debt coverage indicators

The leverage ratio deteriorated marked by overall gearing ratio of 1.44x as on March 31, 2022 as against 0.80 time as on March 31, 2021 on account of higher availment of unsecured loans from directors (to fund the losses and term debt repayment) and relatively higher utilisation of working capital limits as on account closing date. The TOL/TNW deteriorated to 3.12x as on March 31, 2022 (PY: 2.11x). Further, the debt coverage indicators also substantially deteriorated in FY22 due to operating loss and cash loss incurred.

Stretched operating cycle

The inventory holding period increased substantially to 211 days during FY22 as against 154 days during FY21 on account of poor export sales performance. Furthermore, the company allows credit of around a month to its customers due to its low bargaining power which also resulted into working capital-intensive nature of its operations. However, it receives high credit period from its suppliers due to its long presence in the industry which mitigates its working capital intensity to a certain extent. Nonetheless, the average utilization of fund-based limits remained on the higher side at about 81% during last 12 months ended December 2022.

Key strengths

Experienced promoters with long track record of operation

AMPL is into manufacturing of spare parts for the defense sector since 1995 and thus has around more than two decades of track record of operations. Being in the same line of business since long period, the promoters have built up established relationship with its clients and the company is deriving benefits out of this. Mr. Anil Patodia has more than four decades of experience in the same line of business, looks after the day-to-day operations of the company supported by other directors who also have more than a decade of experience in the same industry.

Reputed clientele

AMPL has been associated with a number of reputed customers since its inception and has marked a remarkable presence in arms and ammunition industry. Some of the reputed clienteles of the company are Bharat Dynamics Limited, Ministry of Defence, Ordinance Factory at Khamaria, Maharashtra, Odisha, Ammunition Factory at Kirkee, Pune, Gun & Shell Factory (Kashipur) etc. for supplying ammunitions mechanical assemblies.

Liquidity: Stretched

The average utilization of working capital limit was high 81% during last 12 month ended December 2022. During FY22, the company has incurred cash loss of Rs. 3.03 crore as against term loan repayment obligation of Rs.0.73 crore for FY22 funded through unsecured loans from directors. In FY23, till January 2023, the company has repaid majority of the secured term loan amounting to Rs. 2.16 crore and unsecured loan amounting to Rs. 0.52 crores out of the cash accruals and surplus cash balance available. The cash and Bank balances stood at Rs. 2.03 crores on March 31, 2022.

Applicable criteria

Policy on default recognition
Financial Ratios – Non -financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Aerospace & Defense	Aerospace & Defense

Ashoka Manufacturing Private Limited (AMPL) was initially incorporated as 'Ashoka Manufacturing Limited' on November 08, 1995. The status of the company has changed from Public Limited Company to Private Limited Company vide certificate of Incorporation dated July 31, 2020, issued by Registrar of Companies, West Bengal. The company was promoted by Mr. Anil Kumar Patodia and his family members. Since its inception, AMPL has been engaged in manufacturing of base metal parts made up of brass, aluminium, copper, steel, zinc etc. which are mainly used for ammunitions mechanical assemblies. The manufacturing facilities of the company are located at industrial area, Hempal Lane, Howrah and Beleghata, Kolkata (both in the state of West Bengal). The manufacturing facilities of the company have ISO 9001:2015 certified. The company sells its products under its name ASHOKA both in domestic as well as international market. Mr. Anil Kumar Patodia, having more than four decades of experience in same line of business, looks after the day-to-day operations of the company supported by a team of experienced personnel.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23(Prov.)
Total operating income	27.93	19.03	20.06
PBILDT	2.39	-2.17	NA
PAT	0.53	-3.80	1.14
Overall gearing (times)	0.80	1.44	0.71
Interest coverage (times)	2.40	-2.62	NA

A: Audited; Prov.: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: CRISIL Ratings continues to place the rating of Ashoka Manufacturing Private Limited under Issuer Not Co-operating vide Press release dated May 09, 2022.

Any other information: Not Applicable

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

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facilities	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		-	-	-	5.85	CARE B+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	3.50	CARE A4

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-Cash Credit	LT	5.85	CARE B+; Stable	-	1)CARE BB-; Stable (06-Dec-21)	1)CARE BB-; Stable (04-Dec-20) 2)CARE BB-; Stable (18-Jun-20)	1)CARE D (18-Dec-19)
2	Non-fund-based - ST-Bank Guarantee	ST	3.50	CARE A4	-	1)CARE A4 (06-Dec-21)	1)CARE A4 (04-Dec-20) 2)CARE A4 (18-Jun-20)	1)CARE D (18-Dec-19)
3	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Dec-21)	1)CARE BB-; Stable (04-Dec-20) 2)CARE BB-; Stable (18-Jun-20)	1)CARE D (18-Dec-19)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the 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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