

ASM Castings Private Limited

January 29, 2020

Ratings

Facilities	Amount (Rs. Crore)	Rating ¹	Remarks
Long Term Bank Facilities	10.75	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook Stable Issuer Not Cooperating)	Issuer not Cooperating; Revised from CARE BB-; Stable on the basis of best available information
Long Term /Short Term Bank Facilities	0.25	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus; Outlook Stable/A Four Issuer Not Cooperating)	Issuer not Cooperating; Revised from CARE BB-; Stable/CARE A4 on the basis of best available information
Total	11.00 (Rs. Eleven Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from ASM Castings Private Limited to monitor the ratings vide e-mail communications/letters dated January 16, 2020, January 10, 2020, January 06, 2020, November 06, 2019, October 15, 2019 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 has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on ASM Castings Private Limited bank facilities will now be denoted as **CARE B+; Stable/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 ratings.

The rating has been revised by taking into account non-availability of information due to non-cooperation by ASM Castings Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE 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 14, 2018 the following were the rating weaknesses and strengths:

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.54.03 crore and Rs.2.36 crore for FY18 (FY refers to period April 1 to March 31). Further, the net worth base of the company stood low at Rs.4.71 crore as on March 31, 2018. 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 continuously. For the period FY16- FY18, ACPL's total operating income grew from Rs.30.27 crore to Rs.54.03 crore reflecting a compounded annual growth rate (CAGR) of 33.60% owing to on account of higher quantity sold. Further, the company has achieved total operating income of ~Rs.47.08 crore for 8MFY19 (refers to period April 1 to November 30; based on provisional results).

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.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

This long-term and close relationship with its customers is reflective of the company's demonstrated ability to provide quality products.

Leveraged capital structure:

The capital structure of the company marked by overall gearing stood leveraged at above 3x as on past three balance sheet dates ending March 31, '16 – '18 owing to debt funded capex incurred in past along with reliance on external borrowings to meet working capital requirements and low net worth base.

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 Indihar 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 6.75% for the past three financial years, i.e., FY16 – FY18. Further, PAT margin stood at 1% in FY18 as against 1.80% in FY17 owing to high interest and depreciation expense. Further, owing to moderate profitability, the debt coverage indicators stood moderate for the past three financial years, FY16 – FY18 marked by interest coverage ratio of above 3x and total debt to gross cash accrual ratio of below 7.50x.

Moderate operating cycle and liquidity position:

The operating cycle of the company stood moderate at 34 days for FY18. The company maintains adequate inventory in form of raw material for smooth flow of production process. The 1 Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications. 2 CARE Ratings Limited Press Release inventory period stood at 18 days for FY18. ACPL 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. Though the liquidity indicators of the company stood modest as indicated by the current ratio of 1.10x for FY18; however, the average moderate utilization of working capital limits for the past 12 months period ending November 30, 2018 reflects the moderate liquidity position of the company.

Analytical approach: Standalone

Applicable criteria

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

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

[Criteria for short term instruments](#)

[CARE's methodology for manufacturing companies](#)

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

About the Company

Faridabad, Haryana based ASM Castings Private Limited 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.

Non BFSI

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	33.96	54.03
PBILDT	2.48	3.68
PAT	0.61	0.54
Overall gearing (times)	3.48	3.62
Interest coverage (times)	5.01	3.13

A: Audited

Status of non-cooperation with previous CRA: Not Applicable**Any other information:** Not Applicable**Rating History (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	-	-	-	4.64	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	3.75	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Proposed fund based limits	-	-	-	2.36	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	0.25	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable / CARE A4 on the basis of best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	4.64	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (14-Dec-18)	-	-
2.	Fund-based - LT-Cash Credit	LT	3.75	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (14-Dec-18)	-	-
3.	Fund-based - LT-Proposed fund based limits	LT	2.36	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (14-Dec-18)	-	-
4.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	0.25	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable / CARE A4 on the basis of best available information	-	1)CARE BB-; Stable / CARE A4 (14-Dec-18)	-	-

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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