

June 08, 2023

ASM Technologies Limited: Update on material event

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating outstanding |
|-------------------------------|--------------------------------------|-------------------------------------|--------------------|
| Long-term – Cash Credit | 23.64 | 23.64 | [ICRA]BBB (Stable) |
| Short-term – Interchangeable^ | (23.64) | (23.64) | [ICRA]A3+ |
| Total | 23.64 | 23.64 | |

*Instrument details are provided in Annexure-1, ; ^ The short-term interchangeable limits are sub-limits of the cash credit limits

Rationale

Material Event

ASM Technologies Limited (ASM) has disclosed its Q4 FY2023 and FY2023 financial results to the stock exchanges on May 30, 2023. In Q4 FY2023, ASM reported an operating income of Rs. 51.9 crore (YoY decline of 5.1%) with an operating profit margin (OPM) of 4.4%, as against 5.6% in Q4 FY2022. In FY2023, the company reported an operating income of Rs. 220.4 crore (YoY growth of 15.0%) with an OPM of Rs. 9.5%, as against 11.0% in FY2022.

Impact of Material Event

ICRA has noted the weakening in the company's OPM during Q4 FY2023 and FY2023. Further, higher than expected debt levels, partly due to higher capital expenditure, has led to moderation in the debt metrics of the company. ICRA has been engaging with the company to understand the reasons for the same as well as the outlook for the company. ICRA will continue to monitor the developments and assess the company's credit profile once clarity emerges on the same. Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, and Rating sensitivities. [Click here](#)

Analytical Approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology Rating Methodology for Issuers in the Information Technology (Service) Industry |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | For arriving at the ratings, ICRA has considered the consolidated financials of ASM. |

About the company

Incorporated in 1992, ASM Technologies Limited is an IT company that provides consulting and product development services in the areas of engineering services and product R&D. The services offered include prototyping, testing and pilot production; value engineering; hardware and software designing of embedded systems; design and development of networking, wireless and cloud security products; product lifecycle and sustenance management; and test automation services, among others. The company is in the process of expanding its service offerings and has recently forayed into areas of Virtual Reality (VR), Internet of Things (IoT) and open edX platform management. It caters to diverse industries

such as semiconductor, hi-tech, medical equipment, automotive and aerospace, enterprising storage and networking, consumer electronics. Headquartered in Bangalore, the company has about ~1,195 employees providing both onsite as well as offshore support services to its clients in the US.

Key financial indicators (audited)

| ASM Technologies Ltd (Consolidated) | FY2022 | FY2023* |
|--|--------|---------|
| Operating income (Rs. crore) | 191.7 | 220.4 |
| PAT (Rs. crore) | 13.9 | 7.4 |
| OPBDIT/OI | 11.5% | 9.5% |
| PAT/OI | 7.3% | 3.4% |
| Total outside liabilities/Tangible net worth (times) | 1.1 | 1.3 |
| Total debt/OPBDIT (times) | 2.3 | 3.5 |
| Interest coverage (times) | 3.9 | 3.0 |

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; *As per abridged financials released on the stock exchange

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | | Current rating (FY2024) | | | Chronology of Rating History for the past 3 years | | | |
|------------|-----------------|-------------------------|--------------------------|---|---|-------------------------|-------------------------|-------------------------|
| | | Type | Amount rated (Rs. crore) | Amount outstanding as of Mar 31, 2023 (Rs. crore) | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 | Date & rating in FY2021 |
| | | | | | June 08, 2023 | September 29, 2022 | September 21, 2021 | August 20, 2020 |
| 1 | Cash Credit | Long term | 23.64 | NA | [ICRA]BBB (Stable) | [ICRA]BBB (Stable) | [ICRA]BBB (Stable) | [ICRA]BBB- (Stable) |
| 2 | Interchangeable | Short term | (23.64) | NA | [ICRA]A3+ | [ICRA]A3+ | [ICRA]A3+ | [ICRA]A3 |
| 3 | Unallocated | Long term | - | - | - | - | - | [ICRA]BBB- (Stable) |

NA: Not available

Complexity level of the rated instruments

| Instrument Name | Complexity Indicator |
|------------------------------|----------------------|
| Long Term - Cash Credit | Simple |
| Short Term – Interchangeable | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|-------------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| NA | Cash Credit | NA | NA | NA | 23.64 | [ICRA]BBB (Stable) |
| NA | Short Term – Interchangeable* | NA | NA | NA | (23.64) | [ICRA]A3+ |

Source: Company, * sub-limits of the cash credit limits

Annexure II: List of entities considered for consolidated analysis

| Company Name | ASM Ownership* | Consolidation Approach |
|----------------------------------|----------------|------------------------|
| Subsidiary | | |
| ASM Digital Technologies Inc | 100.0% | Full Consolidation |
| ASM Digital Technologies Pte Ltd | 100.0% | Full Consolidation |
| ASM Technologies KK Japan | 100.0% | Full Consolidation |
| RV Forms & Gears LLP | 70.0% | Full Consolidation |
| ASM Digital Engineering Pvt Ltd | 100.0% | Full Consolidation |
| Step-down Subsidiary | | |
| ESR Associates Inc | 100.0% | Full Consolidation |
| Joint Venture | | |
| ASM HHV Engineering Pvt Ltd | 50.0% | Equity Method |

*As on March 31, 2022

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Branches



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