

Rating Advisory

March 17, 2020 | Mumbai

ASI Industries Limited

Advisory as on March 17, 2020

This rating advisory is provided in relation to the rating of ASI Industries Limited

The key rating sensitivity factors for the rating include:

Upward factors

- * Improvement in operating income by more than 30% in fiscal 2020 as compared with fiscal 2019
- * Significant increase in cash accrual

Downward factors

- * Decline in operating income by more than 15% in comparison with fiscal 2019
- * Fall in operating profitability from fiscal 2019 level
- * Larger-than-expected debt-funded capex, weakening the financial risk profile

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from ASI Industries Limited (ASIL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If v continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the company

Established in 1945 in Kota, Rajasthan, by members of the Jatia family, ASIL mines natural stone (Kota stone) on its 10 square kilometre land in Ramganj Mandi, Rajasthan. The company also generates wind power and trades in steel coils and fabrics.

RRA produces hard limestone rock products, which it supplies to various companies in the infrastructure, steel, cement, and real estate sectors in Dubai and in India.

ASIGL, based in Mauritius, acts as a marketing arm in the Mauritius market.

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Rating Rationale

March 09, 2020 | Mumbai

ASI Industries Limited

Ratings downgraded to 'CRISIL BB+/CRISIL A4+'; continues on 'Watch Negative'

Rating Action

Total Bank Loan Facilities Rated	Rs.130 Crore
Long Term Rating	CRISIL BB+ (Downgraded from 'CRISIL BBB'; Continues on 'Rating Watch with Negative Implications')
Short Term Rating	CRISIL A4+ (Downgraded from 'CRISIL A3+'; Continues on 'Rating Watch with Negative Implications')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has downgraded its ratings on the bank facilities of ASI Industries Limited (ASIL; part of the ASI group) to '**CRISIL BB+/CRISIL A4+**' from 'CRISIL BBB/CRISIL A3+'. The ratings continue to be on '**Rating Watch with Negative Implications**'.

CRISIL had placed its ratings on watch on December 06, 2019, following the announcement by ASIL on November 28, 2019, about a direction received from the department of mining and geology, Ramganjmandi, Kota, Rajasthan, for closure of mining activity alleging irregularities in environmental rules. The mining activity was estimated to get operational by January 2020. However the mining activity still closed. CRISIL is in discussion with the management and will take a final rating action once there is more clarity on the overall impact of the directive on the company's business and financial risk profiles.

The downgrade reflects the expected deterioration in business risk profile, which shall impact liquidity over the medium term. Operating income estimated to decline on account of fall in contribution from the mining business. Due to the disturbance in operations following the directive from the department of mining and geology, the group's revenue is expected to remain constrained, which will impact operating margin as well as ability to generate net cash accrual over the medium term. As the group has already initiated a large debt-funded capital expenditure (capex), the cushion between accrual and debt obligation is expected to be impacted over the medium term. Hence, liquidity is expected to remain constrained.

The ratings reflect the ASI group's established market position supported by its promoters' extensive experience in the stone mining and marketing industry, and above-average financial risk profile. These strengths are partially offset by working capital-intensive operations and susceptibility to changes in government regulations and to project-related risks.

Analytical Approach

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of ASIL with its wholly owned subsidiaries, Al Rawasi Rock and Aggregates LLC (RRA) and ASI Global Ltd (ASIGL). These entities are together referred to as the ASI group.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths

* **Established market position:** The promoters have been in the Kota stone-mining business for the past three decades, resulting in established relationships with over 1,000 diversified customers. The group is among the largest miners of Kota stone in India.

* **Above-average financial risk profile:** As on March 31, 2019, networth was healthy at Rs 148 crore (Rs 129 crore in the previous fiscal), while total outside liabilities to adjusted networth ratio was moderate at 1.9 times. Interest coverage ratio was strong at 4.7 times for fiscal 2019.

Weaknesses

* **Working capital-intensive operations:** Gross current assets were high at 255 days due to receivables of 174 days, as on March 31, 2019. However, diversified customers along with advances from dealers provide insulation against receivables risk.

* **Susceptibility to changes in government regulations:** The mining industry in India is highly regulated and plagued by irregularities. However, the group's business till now has not been significantly affected by changes in regulations, although the current NGT ban on mining could impact the group's business over the medium term.

* **Exposure to project-related risks:** The group is setting up a plant for engineered stone with an installed capacity of 600,000 square metre per annum, entailing capex of about Rs 200 crore. The proposed project is expected to be completed in 15 months. The capex is likely to be funded through term loan/capex letter of credit of Rs 130-135 crore and the remaining through internal cash accrual. Timely implementation of the proposed project, stabilisation of operations, and commensurate ramp-up of sales will remain critical to achieve growth in revenue and profitability, and hence, will be monitored closely.

Liquidity Stretched

Liquidity is supported by moderate bank limit utilisation, at an average of 78% over the six months through August 2019. Net cash accrual of around Rs 358 million was sufficient to meet debt obligation of Rs. 24.2 crore in fiscal 2019. The company receives funding support from the promoters in the form of unsecured loans (Rs 47.8 crore as on March 31, 2019).

Rating Sensitivity Factors

Upward Factors

- * Improvement in operating income by more than 30% year-on-year in fiscal 2020
- * Significant increase in cash accrual

Downward Factors

- * Decline in operating income by more than 15% year-on-year in fiscal 2019
- * Fall in operating profitability from fiscal 2019 level
- * Larger-than-expected debt-funded capex weakening financial risk profile
- * Lower cushion between accrual and debt obligation leading to pressure on liquidity.

About the Company

Established in 1945 in Kota by members of Jatia family, ASIL mines natural stone (Kota stone) on its 10 square kilometre land in Ramganj Mandi, Rajasthan. The company also generates wind power and trades in steel coils and fabrics.

RRA produces hard limestone rock products, which it supplies to various companies in the infrastructure, steel, cement, and real estate sectors in Dubai and in India.

ASIGL, based in Mauritius, acts as a marketing arm in the Mauritius market.

Key Financial Indicators (Consolidated)

Particulars	Unit	2019	2018
Revenue	Rs crore	260.05	314.2
Profit After Tax (PAT)	Rs crore	22.97	19.2
PAT Margin	%	8.8	6.1
Adjusted debt/adjusted networkth	Times	1.5	1.4
Interest coverage	Times	4.7	4.4

Status of non cooperation with previous CRA

ASIL has not cooperated with Credit Analysis & Research Ltd, which has marked it as 'non-cooperative' via a rationale dated November 22, 2019. The reason provided by the credit rating agency (CRA) is non-furnishing of information by ASIL.

ASIL has not cooperated with Credit Analysis & Research Ltd, which has marked it as 'non-cooperative' via a rationale dated June 27, 2019. The reason provided by the CRA is non-furnishing of information by ASIL.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	42	CRISIL BB+/Watch Negat
NA	External Commercial Borrowings	NA	NA	May-2023	37.85	CRISIL BB+/Watch Negat
NA	Term Loan	NA	NA	Jun-2024	21.07	CRISIL BB+/Watch Negat
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	4.08	CRISIL BB+/Watch Negat
NA	Letter of Credit	NA	NA	NA	25	CRISIL A4+/Watch Negat

Annexure - List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for Consolidation
ASI Industries Limited	Full	Parent company, all together referred to as the ASI group
AI Rawasi Rock and Aggregates LLC (RRA)	Full	Wholly owned subsidiary of ASI Industries Limited
ASI Global Ltd (ASIGL)	Full	Wholly owned subsidiary of ASI Industries Limited

Annexure - Rating History for last 3 Years

	Current			2020 (History)		2019		2018		2017		Start 201
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rati
Fund-based Bank Facilities	LT/ST	105.00	CRISIL BB+/Watch Negative			06-12-19	CRISIL BBB+/Watch Negative	30-11-18	CRISIL BBB+/Stable	31-10-17	CRISIL BBB+/Stable	--
Non Fund-based Bank Facilities	LT/ST	25.00	CRISIL A4+/Watch Negative			06-12-19	CRISIL A3+/Watch Negative	30-11-18	CRISIL A2	31-10-17	CRISIL A2	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	42	CRISIL BB+/Watch Negative	Cash Credit	42	CRISIL BBB/Watcl Negative
External Commercial Borrowings	37.85	CRISIL BB+/Watch Negative	External Commercial Borrowings	37.85	CRISIL BBB/Watcl Negative
Letter of Credit	25	CRISIL A4+/Watch Negative	Letter of Credit	25	CRISIL A3+/Watch Negative
Proposed Long Term Bank Loan Facility	4.08	CRISIL BB+/Watch Negative	Proposed Long Term Bank Loan Facility	4.08	CRISIL BBB/Watcl Negative
Term Loan	21.07	CRISIL BB+/Watch Negative	Term Loan	21.07	CRISIL BBB/Watcl Negative
Total	130	--	Total	130	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Mining Industry](#)

[CRISILs Approach to Recognising Default](#)

[CRISILs Bank Loan Ratings](#)

[CRISILs Criteria for Consolidation](#)

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