

## Rating Advisory

August 31, 2019 | Mumbai

### ASL Industries Limited

#### Advisory as on August 31, 2019

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

The key rating sensitivity factors for the rating include:

- Concentration in customer 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 ASL Industries Limited (AIL) 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 AIL 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

AIL is part of the Jamshedpur, Jharkhand-based ASL group, which has interests in iron and steel, sheet metal components, forged components, and assemblies and is an authorised sales and service dealer for TML. Mr Dilip Kumar Goyal, Mr Akshay Goyal, Mr Ankit Goyal, and Mr Manoj Kumar Agarwal manage operations. The company was incorporated in 1992.

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## Rating Rationale

December 13, 2018 | Mumbai

### ASL Industries Limited

*Ratings Reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.30 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BB/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A4+ (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB/Stable/CRISIL A4+' ratings on the bank facilities of ASL Industries Limited (AIL).

The ratings continue to reflect the experience of the promoters in the iron and steel industry and a moderate financial risk profile. These strengths are partially offset by large working capital requirement.

#### Key Rating Drivers & Detailed Description

##### Strengths

##### \* Extensive industry experience of the promoters

The company commenced operations with trading in iron and steel in 1987. It established a strong and stable relationship with key customers such as Tata Motors Limited (TML), Indian Railways, and York Transport Equipment India Ltd, as reflected in repeat orders from them.

##### \* Comfortable financial risk profile

The networth was healthy at Rs 33.63 crore and the gearing moderate at 0.90 time, as on March 31, 2018. The gearing is expected to remain stable over the medium term in the absence of any debt-funded capital expenditure (capex) plans. However, the net cash accrual to total debt and interest coverage ratios were modest at 0.05 time and 0.9 time, respectively, in fiscal 2018 on account of a decline in profitability. With recovery in profitability, the metrics should return to historical comfortable levels.

##### \* Weakness:

##### Large working capital requirement

Gross current assets were 153 days as on March 31, 2018, because delivery schedules are not fixed and bulk raw material inventory needs to be maintained for TML, which contributes a major portion of the revenue.

##### Outlook: Stable

CRISIL believes AIL will continue to benefit from its established market position, backed by regular offtake by TML. The outlook may be revised to 'Positive' if revenue is diversified, and revenue and profitability increase substantially. The outlook may be revised to 'Negative' if a decline in profitability or large, debt-funded capex weakens the capital structure.

##### Liquidity

Liquidity is adequate. Cash accrual was Rs 4.0-4.5 crore, against term debt obligation of Rs 3.49 crore, in fiscal 2019. Average utilisation of the fund based limit of Rs 11.5 crore was 84% during the 12 months through August 2018. Furthermore, the promoters provide funding support through unsecured loans or equity as and when needed. During fiscal 2018, equity infusion of Rs 9.8 crore was made to fund the bank debt obligation on account of insufficient cash accrual following a net loss.

## About the Company

AIL is part of the Jamshedpur, Jharkhand-based ASL group, which has interests in iron and steel, sheet metal components, forged components, and assemblies and is an authorised sales and service dealer for TML. Mr Dilip Kumar Goyal, Mr Akshay Goyal, Mr Ankit Goyal, and Mr Manoj Kumar Agarwal manage operations. The company was incorporated in 1992.

## Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	70.82	56.96
Profit after tax (PAT)	Rs crore	(2.22)	0.50
PAT margin	%	(3.1)	0.9
Adjusted debt/adjusted networth	Times	0.90	1.35
Interest coverage	Times	0.9	2.15

**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	Rating assigned with Outlook
NA	Cash Credit	NA	NA	NA	9.5	CRISIL BB/Stable
NA	Long Term Loan	NA	NA	Jun-2023	4.85	CRISIL BB/Stable
NA	Bank Guarantee	NA	NA	NA	2	CRISIL A4+
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	13.65	CRISIL BB/Stable

## Annexure - Rating History for last 3 Years

		Current		2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	28.00	CRISIL BB/Stable			26-12-17	CRISIL BB/Stable	22-09-16	CRISIL BB/Stable	23-06-15	CRISIL BB/Stable	Suspended
Non Fund-based Bank Facilities	LT/ST	2.00	CRISIL A4+			26-12-17	CRISIL A4+	22-09-16	CRISIL A4+	23-06-15	CRISIL A4+	Suspended

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
Bank Guarantee	2	CRISIL A4+	Bank Guarantee	2	CRISIL A4+
Cash Credit	9.5	CRISIL BB/Stable	Cash Credit	8.5	CRISIL BB/Stable
Long Term Loan	4.85	CRISIL BB/Stable	Long Term Loan	3	CRISIL BB/Stable
Proposed Fund-Based Bank Limits	13.65	CRISIL BB/Stable	Proposed Long Term Bank Loan Facility	16.5	CRISIL BB/Stable
<b>Total</b>	<b>30</b>	<b>--</b>	<b>Total</b>	<b>30</b>	<b>--</b>

### Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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