ASI Industries Limited

November 22, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	107.05	**CARE BB+; Stable; ISSUER NOT CO-OPERATING [Double B Plus; Outlook: Stable; ISSUER NOT CO-OPERATING*]**	Issuer not cooperating; Revised from CARE BBB; Stable (Triple B; Outlook: Stable) on the basis of best available information
Short-term Bank Facilities	25.00	**CARE A4+; ISSUER NOT CO-OPERATING [A Four Plus; ISSUER NOT CO-OPERATING*]**	Issuer not cooperating; Revised from CARE A3+; (A Three Plus) on the basis of best available information
Total Facilities	**132.05 (Rupees One hundred Thirty Two crore and Five lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 5, 2018, placed the ratings of ASI Industries Limited (ASIL) under the 'issuer non-cooperating' category as ASIL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. ASIL continues to be non-cooperative despite repeated requests for submission of information through phone calls and multiple e-mails dated August 19, 2019, November 5, 2019 and November 20, 2019 (last three). In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The revision in ratings takes into account continuous decline in its total operating income (TOI) and profitability during Q1FY20 (refers to the period April 01 to June 30) and Q2FY20 (refers to the period July 01 to September 30). On a standalone basis, ASIL's PBILDT margin during H1FY20 (refers to the period April 01 to September 30), was lower when compared with H1FY19. The ratings revision also takes into account implementation risk associated with large size debt-funded capex, for which details have not been made available to us.

Detailed description of the key rating drivers

At the time of last rating on June 27, 2019, the following were the rating strengths and weaknesses (updated for information available from stock exchange):

Key Rating Strengths

Experienced promoters, established track record in 'Kota stone' industry along with established marketing and distribution network: Mr Deepak Jatia, Chairman and Managing Director, has more than three decades of experience in the Kota stone mining industry. ASIL has an established track record of over 7 decades in the mining business and has a network of around 50 dealers spread across Rajasthan.

Comfortable profitability margins: During FY19 (refers to the period April 01 to March 31), PBILDT and PAT margin improved by 682 bps y-o-y (to 21.24%) and 411 bps y-o-y (to 10.13%) respectively primarily on account of change in revenue mix. ASIL reported a healthy Gross Cash Accruals (GCA) of Rs.24.75 crore (FY18: Rs.20.60 crore).

However, during H1FY20, ASIL reported significant decline in its profitability as compared to H1FY19; it's PBILDT and PAT margin declined by 730 bps y-o-y (to 9.09%) and 602 bps (to 0.53%) respectively.

Moderate leverage and debt protection indicators: Capital structure of ASIL continued to remain moderate marked by an overall gearing of 0.57x (excluding current maturities of long term debt) as on March 31, 2019 as against 0.50x as on March 31, 2018. Debt coverage indicators also remained comfortable marked by an interest coverage of 5.43x as at FY19 end (4.34x as at FY18 end) and total debt to GCA of 5.81x (FY18: 5.79x).

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

**Issuer did not cooperate; Based on best available information*

Key Rating Weaknesses

Moderate scale of operations: ASIL's TOI declined by 23% y-o-y to Rs.188.38 crore during FY19 on account of decline in trading operations by over 60% to Rs.42.85 crore in FY19. During H1FY20, ASIL's TOI remained largely stable at Rs.81.45 crore (Rs.87.08 crore during H1FY19) due to increase in trading activity.

Large size debt-funded investment in its overseas subsidiary (Al Rawasi Rock and Aggregate LLC (ALRA): ASIL had acquired mining business in United Arab Emirates (UAE) through its Mauritius based wholly owned subsidiary, i.e. ASI Global Limited (ASIGL). As on March 31, 2019, ASIL had invested about Rs.70 crore towards the project, apart from extension of corporate guarantee for its working capital requirement. During FY19, ALRA reported a TOI of Rs.78.93 crore with a PAT of Rs.3.37 crore as against a TOI of Rs.75 crore and PAT of Rs.4.79 crore in FY18.

Large size debt-funded capex to set up a facility for manufacturing engineered stone: ASIL is undertaking a major expansion project at Jaipur for production of engineered stone at a total cost of Rs.200 crore. The new plant will have an installed capacity of 6.50 million sq. ft. and is expected to commence commercial operations from February 2020. Owing to the large size of the project, ASIL remains exposed to project implementation, stabilization and scaling up risk.

Prospects of Kota stone industry dependent on demand from the cyclical real estate industry along with threat from substitutes: The growth prospects of Kota stone industry depends majorly on the demand from real estate industry. The company also faces competition from tile manufacturing companies as there is growing demand for tiles for flooring purpose in offices and residential buildings**.**

Liquidity: During FY19, ASIL generated GCA of Rs.24.75 crore and had total cash and bank balance of Rs.11.91 crore as on March 31, 2019. Current ratio remained moderate at 1.35x during FY19 (1.47x during FY18). ASIL's operating cycle elongated to 205 days during FY19 (FY18: 148 days) primarily due to elongation of receivable days.

Analytical approach: Standalone

Applicable Criteria:

Policy in respect of Non-cooperation by issuer

Rating Outlook and Credit Watch

Definition of Default

Criteria for Short Term Instruments

Rating Methodology-Manufacturing Companies

Financial Ratios – Non financial Sector

About the Company

Kota-based ASIL is a public limited listed company which was incorporated in January 1945. It changed its name from Associated Stone Industries (Kotah) Ltd to ASI Industries Limited in February 2018.

ASIL is engaged in mining and processing of Kota stone at 9.16 square kilometer (sq. km.) mining area located at Ramganjmandi near Kota, Rajasthan. Besides stone mining, the company has wind based power generation capacity of 3.63 Mega Watt (MW), located at Maharashtra and Karnataka.

The board of directors had approved a scheme of amalgamation between ASIL and Deejay Mining and Exports Private Limited (DMEPL; holds 49% stake in ASIL). The same has been approved by the shareholders in the meeting dated 18th November, 2019.

Brief Financials (Rs. Crore)	FY18 (A)	FY19 (A)
Total operating income	246.07	188.38
PBILDT	35.50	40.02
PAT	14.82	19.09
Overall gearing (times)	0.42	0.63
Interest coverage (times)	4.34	5.43

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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
Term Loan-Long Term	-	-	December 31, 2024	65.05	CARE BB+; Stable; ISSUER NOT COOPERATING*

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
					Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	42.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	25.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+; ISSUER NOT COOPERATING* 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.	Term Loan-Long Term	LT	65.05	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (27-Jun-19)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE BBB; Stable (08-May-17)	-
2.	Fund-based - LT-Cash Credit	LT	42.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (27-Jun-19)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE BBB; Stable (08-May-17)	-
3.	Non-fund-based - ST-Letter of credit	ST	25.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+; ISSUER NOT	1)CARE A3+; ISSUER NOT COOPERATING* (27-Jun-19)	1)CARE A3+; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE A3+ (08-May-17)	-

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
				COOPERATING* on the basis of best available information				

**Issuer did not co-operate; based on best available information*

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.