ASI Industries Limited

December 06, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable; ISSUER NOT CO-OPERATING and withdrawn.
Short-term Bank Facilities	-	-	Reaffirmed at CARE A4+; ISSUER NOT CO-OPERATING and withdrawn.
Total Facilities	-		

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. 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.

CARE has reaffirmed the ratings of ASIL at CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING*' (Double B Plus; Outlook: Stable/ A Four Plus; ISSUER NOT COOPERATING*] and withdrawn subsequently with immediate effect. The above action has been taken at the request of ASIL and 'No Objection Certificate' received from the banks that has extended the facilities rated by CARE.

The ratings assigned to the bank facilities of ASIL is constrained on account of its moderate scale of operations, declining profitability during H1FY20 (refers to the period April 01 to September 30), large size debt-funded investments in its overseas subsidiary engaged in limestone mining along with linkages of demand for Kota stone to inherently cyclical real estate industry. The ratings are further constrained on account of implementation and stabilization risk associated with its ongoing large sized debt funded capex for manufacturing of engineered. The ratings also take cognizance of receipt of closure order from Department of mining and geology for the company's mining operations in Kota, Rajasthan.

The ratings, however, continue to derive strength from vast experience of its promoters in the stone mining business, its established track record in the 'Kota' stone industry, established marketing network along with moderate leverage and debt coverage indicators.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations: ASIL's total operating income (TOI) declined by 23% y-o-y to Rs.188.38 crore during FY19 (refers to the period April 01 to March 31) 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.

On November 28, 2019, ASIL has received closure order from Department of mining and geology for its mining operations in Kota, Rajasthan due to irregularities in compliance of environment laws by the company. During FY19 (Standalone), ASIL derived almost 75% of its income from the said mine.

Large size debt-funded investment in its overseas subsidiary (Al Rawasi Rock and Aggregate LLC (ALRA): ASIL has 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.

[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*

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 due to technological advancements in the sector and its growing acceptance as a flooring option in offices and residential buildings.

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 albeit decline during H1FY20: During FY19, 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 (provisional), 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 0.63x as on March 31, 2019 as against 0.50x as on March 31, 2018. Debt coverage indicators 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 6.37x (FY18: 5.79x).

Analytical approach: Standalone

Applicable Criteria:
Policy on Withdrawal of ratings
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)	0.50	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	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	0.00	Withdrawn

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	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Nov-19) 2)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	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Nov-19) 2)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	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (22-Nov-19) 2)CARE A3+; ISSUER NOT COOPERATING* (27-Jun-19)	1)CARE A3+; ISSUER NOT COOPERATING* (05-Apr-18)	1)CARE A3+ (08-May-17)	-

**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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