Associated Stone Industries (Kotah) Limited

April 5, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	107.05	**CARE BBB; Stable; ISSUER NOT CO-OPERATING [Triple B; Outlook: Stable; ISSUER NOT CO-OPERATING*]**	Issuer Not Co-operating; based on best available information
Short-term Bank Facilities	25.00	**CARE A3+; ISSUER NOT CO-OPERATING [A Three Plus; ISSUER NOT CO-OPERATING*]**	Issuer Not Co-operating; based on best available information
Total Facilities	**132.05 (Rupees One Hundred Thirty Two crore and Five lakh only)**		

Details of instruments/facilities in Annexure-1
**Issuer did not co-operate; based on best available information*

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Associated Stone Industries (Kotah) Limited (ASIL) to monitor the ratings vide e-mail communications dated January 31, 2018, February 21, 2018, March 1, 2018, March 12, 2018, March 19, 2018 and March 20, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, ASIL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on ASIL's bank facilities will now be denoted as **CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING***.

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

The ratings assigned to the bank facilities of ASIL, continue to derive strength from vast experience of its promoters in the stone mining business along with its established track record in the 'Kota' stone industry, established marketing network, comfortable profitability margins and liquidity position along with moderate leverage and debt protection indicators. The ratings also take cognizance of successful stabilization of operations and generation of cash profits in the first year itself from its UAE based subsidiary.

The ratings, however, continue to be constrained by its moderate scale of operations and linkages of the demand for Kota stone to the inherently cyclical real estate industry. The ratings are further constrained by its large size debt-funded investment in the overseas subsidiary which has developed and started limestone mining.

The ability of ASIL to increase its scale of operations in the Kota stone segment along with improvement of its profitability margins as well as and capital structure and effective management of trading operations would remain the key rating sensitivities. Furthermore, satisfactory performance along with realisation of envisaged returns from its overseas subsidiary shall be a crucial in light of ASIL's significant investment towards the said venture.

Detailed description of the key rating drivers

At the time of last rating on May 8, 2017, the following were the rating strengths and weaknesses (updated based on the best available information).

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. Mr S C Agarwal, President, (Mining Engineer by qualification) also has an experience of more than 40 years in mining activity and has been conferred with several awards in Environment & Mining. The

[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*

company has established track record of about 7 decades in the mining business. ASIL has a network of around 50 dealers spread across Rajasthan.

Comfortable profitability margins and moderate leverage and debt protection indicators: The proportion of trading income in the Total operating income (TOI) of the company increased during FY17 which led to moderation in the PBILDT margin by 805 bps. However, PAT margin declined by 117 bps in FY17 and was less impacted by dip in PBILDT margin on account of non-operating income of Rs.2.21 crore on account of profit from sale of asset.
During FY17, ASIL issued bonus equity shares in the ratio of 1 share for every 4 shares held. Overall gearing improved during as on March 31, 2017 and remained below unity. Debt coverage indicators also continued to remain comfortable with PBILDT interest coverage of 3.56x and total debt to GCA at 4.83 years.

Key Rating Weaknesses
Moderate scale of operations: ASIL has moderate scale of operations, however, during FY17, TOI of the company increased by 35% during FY17 on account of increase in trading sales. Sales from its kota stone business remained stable during FY17.

Large size debt-funded investment in its overseas subsidiary (Al Rawasi Rock and Aggregate LLC (ALRA)), however, the operations have stabilized and generated cash profits: ASIL had acquired mining business in United Arab Emirates (UAE) through its Mauritius based wholly owned subsidiary, i.e. ASI Global Limited (ASIGL) and ASIL has invested about Rs.70 crore towards the project, apart from extension of corporate guarantee for its working capital requirement.
The mining operations of ALRA commenced from June, 2015 and as envisaged the quarrying and crushing capacity has started from April, 2016 and reported growing income and profitability in the first year of its operations itself. The TOI of ALRA increased from Rs.25.35 crore in FY16 to Rs.72.55 crore during FY17 and it reported a PAT of Rs.5.93 crore during FY17 (FY16 : Loss of Rs.5.40 crore)

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**.**

Analytical approach: Standalone

Applicable Criteria:
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Criteria on assigning Outlook to Credit Ratings
Rating Methodology - Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Firm
Kota-based ASIL is a public limited listed company which was incorporated in January 1945. 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 4.75 Mega Watt (MW), located at Maharashtra, Karnataka and Tamil Nadu.

Brief financials of ASIL are tabulated below:

Brief Financials (Rs. Crore)	FY16 (A)	FY17 (A)
Total operating income	178.94	241.37
PBILDT	38.33	33.15
PAT	14.34	16.50
Overall gearing (times)	1.13	0.78
Interest coverage (times)	3.23	3.56

A – Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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 nearly 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.

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
Fund-based - LT-Cash Credit	NA	NA	NA	42.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating
Term Loan-Long Term	NA	NA	December 31, 2024	65.05	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating
Non-fund-based - ST-Letter of credit	NA	NA	NA	25.00	CARE A3+; ISSUER NOT COOPERATING* Issuer not cooperating

** Issuer did not co-operate*

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	LT	65.05	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating	-	1)CARE BBB; Stable (08-May-17)	-	1)CARE BBB (04-Mar-16)
2.	Fund-based - LT-Cash Credit	LT	42.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating	-	1)CARE BBB; Stable (08-May-17)	-	1)CARE BBB (04-Mar-16)
3.	Non-fund-based - ST-Letter of credit	ST	25.00	CARE A3+; ISSUER NOT COOPERATING* Issuer not cooperating	-	1)CARE A3+ (08-May-17)	-	1)CARE A3+ (04-Mar-16)

** Issuer did not co-operate*

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