Associated Stone Industries (Kotah) Limited

May 08, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	107.05 (enhanced from 107.01)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	Reaffirmed
Short-term bank facilities	25.00	**CARE A3+ (A Three Plus)**	Reaffirmed
Total	**132.05 (Rupees One hundred thirty two crore and Five lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Associated Stone Industries (Kotah) Ltd. (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 realization 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

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

Comfortable profitability margins and moderate leverage and debt protection indicators: The PBILDT margin improved by 164 bps and remained comfortable in FY16. However, the PAT margin dipped by 59 bps due to proportionately higher interest cost in FY16. ASIL's long-term debt equity ratio and overall gearing remained moderate as on March 31, 2015. The PBILDT interest coverage and TDGCA also remained moderate at 3.23 times and 6.58 years respectively as on March 31, 2016. Current ratio remained comfortable as on March 31, 2016. However, its operating cycle elongated during FY16.

Key Rating Weaknesses

Moderate scale of operations: ASIL's TOI decreased by 16% during FY16 over FY15 and remained moderate at Rs.178.94 crore during FY16.

Large size debt-funded investment in its overseas subsidiary, however, the operations have stabilized and generated cash profits: ASIL has 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.

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

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

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

About the company
Kota based, Associated Stone Industries (Kotah) Limited (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.

As per audited FY16 results, ASIL reported a total operating income (TOI) of Rs.178.94 crore with a PAT of Rs.14.34 crore as against a TOI of Rs.214.17 crore and a PAT of Rs.18.42 crore in FY15. Furthermore, as per the provisional results for 9MFY17, ASIL reported a PAT of Rs.6.19 crore on TOI of Rs.165.51 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any Other information: Not Applicable

Rating History of 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 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
Term Loan-Long Term	-	-	December 31, 2024	65.05	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	42.00	CARE BBB; Stable
Non-fund-based - ST-Letter of credit	-	-	-	25.00	CARE A3+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	65.05	CARE BBB; Stable	-	-	1)CARE BBB (04-Mar-16)	1)CARE BBB (19-Mar-15)
2.	Fund-based - LT-Cash Credit	LT	42.00	CARE BBB; Stable	-	-	1)CARE BBB (04-Mar-16)	1)CARE BBB (19-Mar-15)
3.	Non-fund-based - ST-Letter of credit	ST	25.00	CARE A3+	-	-	1)CARE A3+ (04-Mar-16)	1)CARE A3+ (19-Mar-15)

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