

ASAL

Automotive Stampings and Assemblies Limited

CIN: L28932PN1990PLC016314

ASAL/SE/2019-20
January 04, 2020

The Executive Director,
BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Bldg., P.J.Towers,
Dalal Street, Mumbai 400 001.

The Executive Director,
National Stock Exchange of India Ltd.
Exchange Plaza,
Bandra (East),
Mumbai 400 051.

Scrip Code: **520119**

Scrip Code: **ASAL**

SUB: Information pursuant to Regulation 30 and other applicable Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir / Madam,

With reference to the above captioned subject, this is inform that CRISIL has revised the Rating to (a) "**CRISIL BBB-/Stable**" (**Downgraded from CRISIL BBB/ Negative**); for the Long Term borrowings; and (b) "**CRISIL A3**" (**Downgraded from CRISIL A3+**) for Short Term borrowings of the Company.

A copy of rating Rationale received from CRISIL Limited, a Credit Rating Agency is enclosed for your information.

Please take it on your records.

Thanking you,

Yours faithfully,
For **Automotive Stampings and Assemblies Limited**



Ashutosh Kulkarni
Company Secretary
M. No. – A18549



Encl: as above

Rating Rationale

January 03, 2020 | Mumbai

Automotive Stampings and Assemblies Limited

Ratings downgraded to 'CRISIL BBB-/Stable/CRISIL A3'

Rating Action

Total Bank Loan Facilities Rated	Rs.83 Crore
Long Term Rating	CRISIL BBB-/Stable (Downgraded from 'CRISIL BBB/Negative')
Short Term Rating	CRISIL A3 (Downgraded from 'CRISIL A3+')

1 Crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has downgraded its ratings on the bank facilities of Automotive Stampings and Assemblies Limited (ASAL) to 'CRISIL BBB-/Stable/CRISIL A3' from 'CRISIL BBB/Negative/CRISIL A3+'.

The downgrade reflects ASAL's operating performance during the first six months of fiscal 2020, resulting in operating losses and a 14% year-on-year decline in revenue. Lower offtake from key customers - Tata Motors Ltd (TML; rated 'CRISIL AA-/Negative/CRISIL A1+'), Fiat India Automobiles Pvt Ltd (Fiat; rated 'CRISIL AA-/Stable/CRISIL A1+') - and weak automobile demand may further lead to about 20% drop in revenue in fiscal 2020 along with continued weak profitability. The downside impact on profitability and cash losses was arrested due to cost reduction initiatives and profit derived from sale of non-core assets. Further, the losses are likely to be compensated through release from working capital due to lower revenue, incremental support from the parent, Tata Autocomp Systems Ltd (TACO; rated 'CRISIL AA-/Stable/CRISIL A1+', and cash inflows from sale of assets.

New orders may lead to better revenue flow from fiscal 2021 onwards, and thereby improve scale and absorption of fixed costs. Further, stabilisation of new programmes and steady growth in revenue should increase the operating margin over the medium term. Capital expenditure for the new orders to be executed during fiscal 2021 will be funded through debt and cash accrual. Lower-than-expected ramp up in scale and profitability may further increase debt levels and hence will be closely monitored.

The ratings reflect strong business and financial support ASAL receives from TML and TACO. During the first six months of fiscal 2020, TACO extended unsecured loans of about Rs 16 crore (outstanding as on Oct 2019). These strengths are partially offset by ASAL's weak financial risk profile, concentration in terms of product portfolio, geographical reach, and clientele, and limited value addition in end-products.

Analytical Approach

CRISIL has applied its parent notch-up framework factoring in strong operational, financial, and managerial support ASAL receives from TACO, which holds 75% in the entity and has shown a track-record of support. Support has been through unsecured loans, inter corporate deposits of Rs 68.5 crore (as on October 31, 2019). Adequate need-based support is expected to continue.

Key Rating Drivers & Detailed Description

Strengths

* Strong business and financial support from TML and TACO

ASAL is a key supplier of sheet-metal stampings, welded assemblies, and modules for the passenger car segment of TML. Additional business from TML and Fiat is expected to improve operating performance gradually over the medium term. TACO had earlier extended support via unsecured loans (Rs 68.5 crore as on October 31, 2019) and inter-corporate deposits to ensure timely debt servicing and meet other funding requirement. ASAL is likely to continue receiving timely, need-based funds from TACO.

Weaknesses

* Limited albeit improving product, geographical, and customer diversity, and low value-added operations:

ASAL continues to be highly dependent on TML (which accounted for about 64% of revenue in the first six months of fiscal 2020), and is thus, resulting in high client concentration risk. ASAL's revenue degrew by 14% in the first half of fiscal 2020, due to drop in offtake by TML and ramp up of new programmes. With new orders expected over the medium term, ASAL should diversify its customer profile and, thereby, reduce its low-margin business.

Profitability is also constrained by the limited product range, and high fixed cost intensity. For instance, the company reported thin profit in fiscals 2017, operating losses in fiscal 2018 due to sub optimal capacity utilisation, and operating profit in fiscal 2019. Low value addition in products such as sheet metal stampings, welded assemblies, and modules, limits pricing power.

However, ASAL is focused on reducing cost of fixed and variable expenses through various savings programmes. Profitability may improve over the medium term, with various initiatives taken to expand high-margin business footprint, improve operating efficiency, and implementing low-cost automations.

* Weak financial risk profile

Financial risk profile has been average, driven by cash losses of Rs 11 crore during the first half of fiscal 2020 that was caused by lower-than-expected schedule. Networth was a negative Rs 42 crore as on March 31, 2019. The company had transferred leasehold rights in land at Maharashtra Industrial Development Corporation, which supported liquidity in fiscal 2020. ASAL has moderate external debt repayment during fiscal 2021 that may be met through cash accrual, adequate undrawn limit, and continued support from TACO. Credit metrics and capital structure should remain restricted over the medium term, however, gradual recovery is expected from fiscal 2021 with expected improvements in operating performance.

Liquidity Adequate

Liquidity is expected to be adequate backed by the timely, need-based funds extended by the parent. The company had 82% average utilisation for the six months through October 2019 and also has access to Rs 45 crore limit from Tata Capital. Better cash accrual in fiscal 2021 and, adequate unutilised bank lines may be sufficient to meet the incremental working capital requirements. Funding support from TACO is also likely to continue.

Outlook: Stable

CRISIL believes ASAL will continue to benefit from regular funding support from TACO, though the business risk profile will remain constrained by low profitability, and dependence on TML.

Rating sensitivity factors

Upward factors

- * Improvement in credit risk profile of parent TACO by 1 notch
- * Recovery in operating margin by 1-2% over the medium term on a sustained basis
- * Improvement in financial profile, backed by positive net cash accrual

Downward factors

- * Further decline in operating margin (negative 3% to negative 6%) due to lower efficiency and muted revenue growth
- * Decline in CRISIL's ratings on TACO as well as its policy toward extending financial support to ASAL

About the Company

ASAL was promoted as JBM Tools Ltd (JBM) by SK Arya and Associates (SKAA) in March 1990, and got its current name in August 2003. ASAL mainly manufactures sheet-metal stampings, welded assemblies, and modules for passenger cars and commercial vehicles (largely for TML); these products account for more than 95% of the total revenue. It has four manufacturing facilities: two in Pune, one each in Halol (Gujarat) and Pantnagar (Uttarakhand).

ASAL went public in March 1994, and TACO, a Tata group company, became a joint venture (JV) partner in 1997. In April 2002, SKAA exited the JV and transferred its entire holding in JBM to TACO and Tata Industries Ltd ('CRISIL A1+').

In February 2007, TACO entered into an agreement with Gestamp Servicios S L (Gestamp) under which both the companies were to hold equal equity stakes in ASAL. Consequently, Gestamp acquired 0.01% stake through an open offer and TACO transferred 37.49% of its stake in ASAL to Gestamp. In February 2007, TACO reduced its stake to 37.50% (same as Gestamp's), while the remaining shares were owned by the public and others. With the purchase of Gestamp's stake in December 2010, TACO now has 75% equity stake in ASAL.

ASAL reported revenue of Rs 206 crore and operating margin of a negative 2.4% in the first half of fiscal 2020 against Rs 239 crore of revenue and operating margin of 4% during the first half of fiscal 2019.

Key Financial Indicators

As on /for the period ending Mar 31	Unit	2019	2018
Revenue	Rs crore	482	331
Profit after tax (PAT)	Rs crore	-12	-47
PAT margin	%	-2.5	-14.1
Adjusted debt/adjusted networth	Times	6.6	3.55
Interest coverage	Times	0.89	-2.18

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of	Coupon	Maturity	Issue Size	Rating assigned
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		Allotment	rate (%)	date	(Rs. crore)	with Outlook
NA	Cash Credit#	NA	NA	NA	24	CRISIL BBB-/Stable
NA	Working Capital Demand Loan	NA	NA	NA	37.9	CRISIL BBB-/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	2.13	CRISIL A3
NA	Long Term Loan	NA	NA	Dec-19	11.57	CRISIL BBB-/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	7.4	CRISIL BBB-/Stable

#Interchangeable with bank guarantee and letter of credit up to Rs 5 crore; and with working capital demand loan, short-term loan, letter of credit, bank guarantee, and export credit up to Rs 9 crore

Annexure - Rating History for last 3 Years

Instrument	Type	Current Outstanding Amount	2020 (History)		2019		2018		2017		Start of 2017
			Rating	Date	Rating	Date	Rating	Date	Rating	Date	
Fund-based Bank Facilities	LT/ST	80.87	CRISIL BBB-/Stable		30-05-19	CRISIL BBB/Negative	23-03-18	CRISIL BBB/Negative	08-08-17	CRISIL BBB+/Stable	CRISIL A-/Watch Developing
							07-02-18	CRISIL BBB+/Watch Developing	23-03-17	CRISIL A-/Negative	
Non Fund-based Bank Facilities	LT/ST	2.13	CRISIL A3		30-05-19	CRISIL A3+	23-03-18	CRISIL A3+	08-08-17	CRISIL A2	CRISIL A2+/Watch Developing
							07-02-18	CRISIL A2/Watch Developing	23-03-17	CRISIL A2+	

Rs. amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Facility	Current facilities		Previous facilities		
	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit#	24	CRISIL BBB-/Stable	Cash Credit#	24	CRISIL BBB/Negative
Letter of credit & Bank Guarantee	2.13	CRISIL A3	Letter of credit & Bank Guarantee	2.13	CRISIL A3+
Long Term Loan	11.57	CRISIL BBB-/Stable	Long Term Loan	11.57	CRISIL BBB/Negative
Proposed Long Term Bank Loan Facility	7.4	CRISIL BBB-/Stable	Proposed Long Term Bank Loan Facility	7.4	CRISIL BBB/Negative
Working Capital Demand Loan	37.9	CRISIL BBB-/Stable	Working Capital Demand Loan	37.9	CRISIL BBB/Negative
Total	83	--	Total	83	--

#Interchangeable with bank guarantee and letter of credit up to Rs 5 crore; and with working capital demand loan, short-term loan, letter of credit, bank guarantee, and export credit up to Rs 9 crore

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Auto Component Suppliers](#)

[CRISILs Criteria for rating short term debt](#)

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
Saman Khan Media Relations CRISIL Limited	Anuj Sethi Senior Director - CRISIL Ratings CRISIL Limited	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301