

ASAL

Automotive Stampings and Assemblies Limited

CIN: L28932PN1990PLC016314

ASAL/SE/2017-18
March 24, 2018

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 Sirs,

With reference to the above captioned subject, this is inform that CRISIL has removed its rating on bank facilities from 'Rating Watch with Developing Implications' and has downgraded the ratings of the Company to:

- (a) "**BBB/ Negative**" for the Long Term facilities and assigned the negative outlook;
- (b) "**CRISIL A3+**" for Short Term facilities.

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

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A **TATA** Enterprise

Rating Rationale

March 23, 2018 | Mumbai

Automotive Stampings and Assemblies Limited

Ratings downgraded to 'CRISIL BBB/Negative/CRISIL A3+', removed from 'Watch Developing'

Rating Action

| | |
|---|--|
| Total Bank Loan Facilities Rated | Rs.83 Crore |
| Long Term Rating | CRISIL BBB/Negative (Downgraded from 'CRISIL BBB+'; Removed from 'Rating Watch with Developing Implications') |
| Short Term Rating | CRISIL A3+ (Downgraded from 'CRISIL A2'; Removed from 'Rating Watch with Developing Implications') |

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has downgraded its ratings on bank facilities of Automotive Stampings and Assemblies Ltd (ASAL) to '**CRISIL BBB/CRISIL A3+**' from 'CRISIL BBB+/CRISIL A2'. The ratings have been removed from 'Rating Watch with Developing Implications' and assigned the '**Negative**' outlook on the long-term facilities.

On February 7, 2018, CRISIL had placed its ratings on bank facilities of ASAL on 'Rating Watch with Developing Implications', following the announcement of ASAL's third quarter fiscal 2018 results. Higher overheads and current lower profitability led to operating losses, despite considerable scale up in operations. For three months ended December 31, 2017 ASAL reported operating income of Rs 94.2 crore and operating loss of Rs 6.1 crore, compared to Rs 70 crore and Rs 2.2 crore, respectively, for the corresponding period of the previous fiscal.

The rating downgrade follows continued weak operating performance by ASAL, which has weakened the financial risk profile. Net losses reported for three quarters (till December 2017) consistently led to an erosion of networth in fiscal 2018. Continuing losses have increased reliance on debt, which stood at Rs 106.63 crore as on December 31, 2017. Operating margin for nine months ended December 31, 2017, was a negative 9.8%, against 0.8% for the corresponding period of the previous fiscal.

Stabilisation of new programmes and growth in revenue, should support increase in operating margin in the medium term; however, it will improve gradually in fiscal 2019, which will lead to further increase in dependence on debt.

The ratings reflect strong business and financial support from Tata Motors Ltd and Tata Autocomp Systems Limited (TACO; rated 'CRISIL AA-/Stable/CRISIL A1+')TACO. During the first nine months of fiscal 2018, TACO extended unsecured loans of Rs 17.5 crore. These strengths are partially offset by the weak financial risk profile, concentration in terms of product portfolio, geographical reach, and clientele, and limited value addition in end-products.

Analytical Approach

For arriving at the ratings, CRISIL has factored in strong operational, financial, and managerial support from TACO.

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 India Automobiles Pvt Ltd (Fiat, rated 'CRISIL AA-/Stable/CRISIL A1+'), is expected to improve operating performance gradually in the medium term. TACO had earlier extended support via unsecured loans (Rs 44 crore as on December 31, 2017) and inter-corporate deposits to ensure timely debt servicing and meet other funding requirement. CRISIL expects that TACO will continue to extend need based and timely support to ASAL going forward.

Weakness

* **Limited product, geographical, and customer diversity, and low value-added operations:** ASAL continues to be highly dependent on TML (which accounted for about 69% of revenue in first nine months of fiscal

2018), and is thus, exposed to high resulting in client concentration risk. While business levels in the first half were largely subdued, ASAL's revenues grew by 46% in the third quarter of fiscal 2018, due to increase in offtake by TML and ramp up of new programmes. However, operating loss continued due to higher overheads towards new programmes of original equipment manufacturers and lower profitability.

Profitability is also constrained by a limited product range, and high fixed cost intensity. The company reported operating losses in fiscals 2015 and 2016, and a thin profit in fiscal 2017, due to sub optimal capacity utilisation.

Low value addition in products such as sheet metal stampings, welded assemblies, and modules, limits the bargaining power.

Limited customer and geographical diversification, and the low value-added nature of products will continue to restrict any significant improvement in the overall business risk profile, over the medium term.

*** Weak financial risk profile:** Operating performance deteriorated in fiscal 2018 with continuing losses, impacting the company's key credit metrics. Realignment of unutilised plant and machinery is likely to strengthen the operating performance in the medium term. Growth momentum observed in third quarter of fiscal 2018, is likely to continue, on the back of healthy outlook for commercial vehicle and passenger car segments. Ramp up of business with TML and other customers to achieve critical mass will be essential for operating level to breakeven in fiscal 2019.

The company has moderate external debt repayment of about Rs 13 crore per annum during fiscal 2018 and 2019 is likely to be met through continued support from TACO. Cash generation and credit metrics will remain under pressure over the medium term, due to slower recovery in growth and fixed cost-intensive nature of business. Timely support from TACO, and TML, nevertheless, is expected to be forthcoming.

Outlook: Negative

CRISIL believes ASAL will continue to benefit from regular funding support from TACO, though the business risk profile will remain constrained because of continued weak demand from TML, over the medium term.

Upside scenario

*Substantial growth in revenue and profitability, leading to stronger credit metrics

* Better than expected improvement in capital structure supported by any equity infusion or cash accruals

Downside scenario

*Higher-than-expected losses due to lower revenue growth,

* Any change in CRISIL's ratings on TACO as well as its policy towards 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. The company 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 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.

In the first nine months of fiscal 2018, net loss was Rs 37 crore on net revenue of Rs 219 crore, as against net loss of Rs 1.5 crore on net revenue of Rs 201 crore in the corresponding period of fiscal 2017.

Key Financial Indicators

| As on March 31 | Unit | 2017 | 2016 |
|------------------------|-----------|------|------|
| Revenue | Rs crore | 304 | 263 |
| Profit after tax (PAT) | Rs. crore | -3 | -21 |

| | | | |
|-----------------------------------|--------------|------------|--------------|
| PAT margin | % | -1 | -7.9 |
| Adjusted debt/Networth | Times | 0.3 | -0.19 |
| Adjusted interest coverage | Times | 5.3 | 3.4 |

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 Allotment | Coupon rate (%) | Maturity date | Issue Size (Rs. crore) | Rating assigned with Outlook |
|------|---------------------------------------|-------------------|-----------------|---------------|------------------------|------------------------------|
| NA | Long-term loan | NA | NA | Dec-2019 | 20.00 | CRISIL BBB/Negative |
| NA | Long-term loan | NA | NA | Dec-2020 | 10.00 | CRISIL BBB/Negative |
| NA | Cash credit# | NA | NA | NA | 17.00 | CRISIL BBB/Negative |
| NA | Letter of credit & bank guarantee | NA | NA | NA | 24.00 | CRISIL A3+ |
| NA | Proposed Long Term Bank Loan Facility | NA | NA | Mar-21 | 12.00 | CRISIL BBB/Negative |

#Interchangeable with bank guarantee and letter of credit up to Rs 5.00 crore; and with working capital demand loan, short-term loan, letter of credit, bank guarantee, and export credit up to Rs 9.00 crore

Annexure - Rating History for last 3 Years

| Instrument | Current | | | 2018 (History) | | 2017 | | 2016 | | 2015 | | Start of 2015 |
|---------------------------------------|---------|---------|---------------------|----------------|------------------------------|----------|--------------------|----------|-----------------------------|----------|--------------------|------------------|
| | Type | Quantum | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | |
| Non Convertible Debentures | LT | | -- | | -- | | -- | 23-08-16 | Withdrawal | 18-03-15 | CRISIL A-/Negative | CRISIL A-/Stable |
| Fund-based Bank Facilities | LT/ST | 59 | CRISIL BBB/Negative | 07-02-18 | CRISIL BBB+/Watch Developing | 08-08-17 | CRISIL BBB+/Stable | 23-08-16 | CRISIL A-/Watch Developing | 18-03-15 | CRISIL A-/Negative | CRISIL A-/Stable |
| | | | | | | 23-03-17 | CRISIL A-/Negative | | | | | |
| Non Fund-based Bank Facilities | LT/ST | 24 | CRISIL A3+ | 07-02-18 | CRISIL A2/Watch Developing | 08-08-17 | CRISIL A2 | 23-08-16 | CRISIL A2+/Watch Developing | | No Rating Change | CRISIL A2+ |
| | | | | | | 23-03-17 | CRISIL A2+ | | | | | |

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

| Current facilities | | | Previous facilities | | |
|--|-------------------|----------------------------|--|-------------------|---|
| Facility | Amount (Rs.Crore) | Rating | Facility | Amount (Rs.Crore) | Rating |
| Cash Credit# | 17 | CRISIL BBB/Negative | Cash Credit# | 17 | CRISIL BBB+/Placed on 'Rating Watch with Developing Implications |
| Letter of credit & Bank Guarantee | 24 | CRISIL A3+ | Letter of credit & Bank Guarantee | 24 | CRISIL A2/Placed on 'Rating Watch with Developing Implications |

| | | | | | |
|--|-----------|------------------------|--|-----------|---|
| Long Term Loan | 30 | CRISIL BBB/Negative | Long Term Loan | 30 | CRISIL BBB+/Placed on 'Rating Watch with Developing Implications |
| Proposed Long Term Bank Loan Facility | 12 | CRISIL BBB/Negative | Proposed Long Term Bank Loan Facility | 12 | CRISIL BBB+/Placed on 'Rating Watch with Developing Implications |
| Total | 83 | -- | Total | 83 | -- |

#Interchangeable with bank guarantee and letter of credit up to Rs 5.00 crore; and with working capital demand loan, short-term loan, letter of credit, bank guarantee, and export credit up to Rs 9.00 crore

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|--|
| Links to related criteria |
| CRISILs Approach to Financial Ratios |
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| Rating criteria for manufacturing and service sector companies |
| Rating Criteria for Auto Component Suppliers |
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Last updated: April 2016

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