

# ASAL

Automotive Stampings and Assemblies Limited

CIN: L28932PN1990PLC016314

ASAL/SE/2019-20  
May 30, 2019

The Executive Director,  
**BSE Limited**  
Corporate Relationship Department,  
1<sup>st</sup> 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,

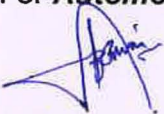
With reference to the above captioned subject, this is inform that CRISIL has reaffirmed its ratings on the bank facilities of the Company - (a) "**CRISIL BBB/ Negative (Reaffirmed)**" for the Long Term borrowings; (b) "**CRISIL A3+ (Reaffirmed)**" for Short Term borrowings.

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

May 30, 2019 | Mumbai

## Automotive Stampings and Assemblies Limited

Ratings Reaffirmed

## Rating Action

Total Bank Loan Facilities Rated	Rs.83 Crore
Long Term Rating	CRISIL BBB/Negative (Reaffirmed)
Short Term Rating	CRISIL A3+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments &amp; Bank Facilities

## Detailed Rationale

CRISIL has reaffirmed its ratings on the bank facilities of Automotive Stampings and Assemblies Limited (ASAL) at 'CRISIL BBB/Negative/CRISIL A3+'.

Moderation in growth of passenger and commercial vehicle segment in the second-half of fiscal 2019 and a sharp decline of 17% and 6% in April 2019 may pose headwinds to sustain improved standalone operating performance of ASAL in near term. Operating performance of ASAL shown significant improvement in revenue and turnaround in operating profitability in fiscal 2019 led by improving business from Tata Motors Ltd (TML; rated CRISIL AA/Negative/CRISIL A1+) and stabilization of programmes from new customers. Revenue for fiscal 2019 grew at 46% year on year due to healthy offtake from its customers, contribution from new orders and tooling business. Operating profitability also improved to 2.8 % in fiscal 2019 from operating loss of 7.6% in fiscal 2018 on account of improving operating leverage, change in product mix and cost control initiatives. Furthermore, receipt of advance from sale of assets and reduction in losses resulted lower dependence on external debt. Financial risk profile ASAL continue to remain weak characterised by negative networth, cash losses and weak debt metrics.

Going forward, sustenance of improved scale of operations at Rs 480 crore and ramp up of new orders will support sustain improved operating performance in slowing demand environment. Sustenance of improved profitability, better than expected cash accrual notwithstanding weakening demand will be key rating driver in the near term.

The ratings continue to reflect strong business and financial support from Tata Motors Ltd and Tata Autocomp Systems Limited (TACO; rated 'CRISIL AA-/Stable/CRISIL A1+') and improving scale of operations and performance. 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

CRISIL has applied its parent notch-up framework factoring in strong operational, financial, and managerial support from TACO, which holds 75% in ASAL and has shown a track-record of support. Support has been through unsecured loans, inter corporate deposits of Rs 52.5 crore as of March 31, 2019. Adequate support is expected in case of any exigency.

## Key Rating Drivers &amp; 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 and commercial car segment of TML. Additional business from TML Fiat India Automobiles Pvt Ltd (Fiat, rated 'CRISIL AA-/Stable/CRISIL A1+') and other OEMs, is expected to improve operating performance gradually in the medium term. TACO had earlier extended support via unsecured loans (Rs 52.5 crore as on March 31, 2019) 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.

## \* Improving scale of operations and performance

The company has shown 5 year CAGR of 7 % in past 4 years .In fiscal 2019 ,company has reported a y-o-y growth of 46% in fiscal 2019 led by stabilisation of new programmes from Fiat Chrysler and healthy ramp up from Tata Motors commercial and passenger vehicles segment . Further, receipt of tooling orders for new programmes benefited the growth. The company has received new orders from JCB, Hitachi, Ashok Leyland, MG Motors and TML Harrier programme Improving customer and segmental diversity is likely to benefit the business profile and support the improvement in scale. The company has shown turnaround in profitability with operating margin of 2.8% led by improving operating leverage and cost saving measures. Further scale up will result in net level breakeven in next 2-3 years sustenance of scale of operations and profitability will remain key rating driver.

## Weakness

\* **Weak financial risk profile:** Losses reduced in fiscal 2019 due to improvement in operating performance, however financial profile is weak due to continued losses, higher dependence on debt and weak debt metrics. Further, capex of Rs 20-30 cr is planned over next 2 years which will be funded through mix of external debt and support from TACO. Incremental debt for the

proposed capex will offset benefit of expected cash level breakeven, increase in cash generation resulting in only gradual improvement in debt metrics.

The company has moderate external debt repayment of about Rs. 10.5 crore per annum during fiscal 2020 is likely to be met through cash accruals, adequate undrawn limits and continued support from TACO. The company has entered into memorandum of understanding (MOU) and proposed to transfer leasehold rights in land located at Bhosari, which will benefit the liquidity position in near term. However, credit metrics and capital structure will continue to remain under pressure over the medium term, due to slower recovery in net-worth and fixed cost-intensive nature of business. Timely support from TACO, and TML, nevertheless, is expected to be forthcoming.

**\* 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 57% of revenue in first nine months of fiscal 2019, and is thus, exposed to high resulting in client concentration risk. Profitability is also constrained by a limited product range, and high fixed cost intensity. For instance, 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.

**Liquidity**

Liquidity is moderate with cash loss of Rs 2 crore in fiscal 2019. The liquidity is likely to improve in fiscal 2020 on account of proceeds from the proposed transfer of leasehold rights in the land at Bhosari. The company has 60% average utilization (bank limits of Rs 22 crore) for six months ending January 2019 and also has access to Rs 45 crore Working Capital Demand Loan facility from Tata Capital with utilization of around 80% as on March 31, 2019. CRISIL expects improvement in internal accruals in fiscal 2020 and adequate unutilized bank lines to be sufficient to meet its repayment obligations of Rs 10.5 crore per annum as well as incremental working capital requirements.

Further, TACO will continue to support the company to support the timely repayment of debt obligations or in case of any exigency

**Outlook: Negative**

CRISIL believes ASAL will sustain its improved operating performance, and continue to benefit from regular funding support from TACO.

**Upside scenario**

\* Sustenance of improved operating performance leading to year-on-year higher cash generation  
Improvement in financial profile

**Downside scenario**

\* lower than expected operating profitability resulting in lower cash accrual and weakening of debt metrics  
\* Any change 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. 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 AAA/Stable/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.

**Key Financial Indicators**

As on /for the period ending Mar 31	Unit	2019	2018
Revenue	Rs crore	482	331
Profit After tax	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:**

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**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	Cash Credit#	NA	NA	NA	24	CRISIL BBB/Negative
NA	Working Capital Demand Loan	NA	NA	NA	37.9	CRISIL BBB/Negative
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/Negative
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	7.4	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	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT		--		--		--		--	23-08-16	Withdrawal	CRISIL A-/Negative
										28-06-16	CRISIL A-/Negative	
Fund-based Bank Facilities	LT/ST	80.87	CRISIL BBB/Negative			23-03-18	CRISIL BBB/Negative	08-08-17	CRISIL BBB+/Stable	29-11-16	CRISIL A-/Watch Developing	CRISIL A-/Negative
						07-02-18	CRISIL BBB+/Watch Developing	23-03-17	CRISIL A-/Negative	23-08-16	CRISIL A-/Watch Developing	
										28-06-16	CRISIL A-/Negative	
Non Fund-based Bank Facilities	LT/ST	2.13	CRISIL A3+			23-03-18	CRISIL A3+	08-08-17	CRISIL A2	29-11-16	CRISIL A2+/Watch Developing	CRISIL A2+
						07-02-18	CRISIL A2+/Watch Developing	23-03-17	CRISIL A2+	23-08-16	CRISIL A2+/Watch Developing	
										28-06-16	CRISIL A2+	

All amounts are in Rs.Cr.

**Annexure - Details of various bank facilities**

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit#	24	CRISIL BBB/Negative	Cash Credit#	17	CRISIL BBB/Negative
Letter of credit & Bank Guarantee	2.13	CRISIL A3+	Letter of credit & Bank Guarantee	24	CRISIL A3+
Long Term Loan	11.57	CRISIL BBB/Negative	Long Term Loan	30	CRISIL BBB/Negative
Proposed Long Term Bank Loan Facility	7.4	CRISIL BBB/Negative	Proposed Long Term Bank Loan Facility	12	CRISIL BBB/Negative
Working Capital Demand Loan	37.9	CRISIL BBB/Negative	--	0	--
<b>Total</b>	<b>83</b>	<b>--</b>	<b>Total</b>	<b>83</b>	<b>--</b>

#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

**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:**

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