Press Release

ASI Industries Limited (ASI)

August 03, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Term Loans	153.13	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)
2	Long Term / Short Term Working Capital Facilities – WCDL/CC/LC/BG	52.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)/ IVR A3 (IVR A Three)
3	Short Term Working Capital Facilities – LC	26.00	IVR A3 (IVR A Three)
	Total	**231.13**	

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned rating derives strength from an established market position of the company supported by experienced promoters, diversified revenue stream, range bound EBITDA margin and healthy financial risk profile. However, these strengths are partially offset by working capital intensive nature of operations and susceptibility to regulatory changes.

Key Rating Sensitivities

Upward Factor

- Significant and sustained improvement in operating income and profitability.
- Significant improvement in debt protection parameters.

Downward Factor

- Any decline in the operating income and/or profitability.
- Any deterioration in the debt protection parameters.
- Any delay in commencement of the engineered stone operations.

<u>List of key rating drivers with detailed description</u>

Key Rating Strengths

Established market position supported by experienced promoters:

The Company was established in pre independence era in 1945 by the members of the Jatia family. The Group as a whole has operating experience of ~75 years coupled with present experienced management team. The company has a strong corporate structure in place along with well-planned succession management policies and good corporate governance structure which has ensured the commanding market position over the past several decades. As per the management, ASI is one of the largest producers of Limestone in the country with a market share of ~46%. The Group is known to possess some of the largest quarries of Limestone in India and UAE. The Company has overall mineable stone reserves of about 25 million tonne at its Ramganjmandi unit and over 200 million tonnes under its UAE subsidiary. The promoters' experience in the stone industry, long track record of operations, healthy relations with customers and strong market position is expected to help company to maintain its business risk profile over the medium term.

Diversified revenue stream, albeit revenue remains volatile, furthermore expected substantial improvement in revenue in FY21:

The overall revenue of the Company has remained volatile in last four fiscals. However, ASI has demonstrated stable revenues for its flagship Kotah stone division over the 3 years through FY19 (FY17: Rs. 120.83 Crs, FY18: Rs. 129.42 Crs, FY19: Rs. 137.17 Crs). While during FY20 (Rs. 98.63 Crs), there was an interim disruption post November 2019 due to suspension of mining owing to NGT ban, the same has been lifted with the company being granted the CTO as on Apr 29, 2020. Consequently, the company has commenced the production since May 04, 2020.

The Company on an opportunistic basis has been undertaking steel trading over the years alongside its core stone mining business. While the trading is completely secured against back to back sale and procurement, the management as a strategic decision have curtailed the trading from a high of Rs. 113.45 Crs in FY17 to ~Rs. 44.01 Crs in FY20; the levels are expected to remain in the similar range going forward.

The revenue generated from the Wind power remains between Rs. 0.75 Crs to Rs. 1 Crs during last four fiscals.

During FY21, the company has scheduled to commercialize its premium engineered stone project which is essentially targeted for the export market. Being a one of a kind state of the art project, the company has already garnered significant enquiries from interested buyers. With normalization of mining at Ramganjmandi unit coupled with commercialization of engineered stone during the current year, the management is expecting substantial improvement in revenue.

Range bound EBITDA margin:

The Company has reported an EBITDA margin of 16.59% in FY19 as against 14.89% in FY18 and 16.75% in FY17. The same has declined in FY20 to 5.87% due to disruption in the operations during the year. Nevertheless, with the ramp up of sale from the engineered stone segment during the current year, coupled with normalization of mining at Ramganjmandi unit, the overall margins are expected to Improve.

Healthy Financial Risk profile:

Capital structure of the company remained comfortable with an overall gearing of 1.56x as on March 31, 2020 (FY19: 1.59x). Debt protection indicators remained moderate marked by an interest coverage of 1.42x as at FY20 and total debt to GCA of 6.5x. Going forward, with addition in the revenue stream from the engineered stone segment, the debt protections parameters are likely to improve owing to improvement in the profitability.

Key Rating Weaknesses

Working capital intensive nature of operations:

The Company has a pan India customer profile for its Kota stone segment with over 1000 customers wherein it mostly adopts B2B model and sells its product through a wide network of 20-30 dealers. The company pre-sells almost 90% of its entire annual production towards end of its mining period i.e. during the month of May/June. It typically extends credit period of 150-180 days for its Stone clients which leads to high reliance on working capital borrowings. However, diversified customers along with advances from dealers mitigates the receivables risk to some extent. Going forward, the Company expects improvement in the working capital cycle owing to higher contribution of engineered stone business having leaner credit terms of ~60 days.

Susceptibility to regulatory changes

Any adverse regulatory changes in the Indian mining industry will have adverse impact on the operations of the Company. The last NGT ban on mining activity has interrupted the operations of the company during FY20, however, the same was for short time and the Company received the CTO for the next five years.

Analytical Approach:

Consolidated: Consolidation with its two wholly owned foreign subsidiaries, namely Al Rawasi Rocks and Aggregates LLC (step-down subsidiary) and ASI Global Ltd (ASIGL).

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The Company has healthy liquidity marked by healthy gross cash accruals against maturing repayment obligations and cash and bank balances to the tune of Rs. 9.83 Crs as on March 31, 2020. Further, no major capex is envisaged in near to medium term with company's focus on stabilization of the existing Kota stone facilities and ramp up of engineered stone revenues, thereby providing sufficient cushion. Average fund based working capital limit utilization of the company remain moderate at ~62%.

About the Company

ASI Industries Ltd [formerly Associated Stone Industries (Kotah) limited] was established in 1945 in Kota, Rajasthan, by the members of the Jatia family. The company is into stone mining, wind power generation and is venturing into manufacturing of engineered stone using patented Italian technology.

Financials (consolidated) **(Rs. crore)**

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	259.91	207.52
EBITDA	43.13	12.19
PAT	22.46	31.40
Total Debt	226.11	301.18
Tangible Net Worth	148.54	220.27
Ratios		
EBITDA Margin (%)	16.59	5.87
PAT Margin (%)	8.37	12.59
Overall Gearing Ratio (x)	1.59	1.56

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Term Loans	Long Term	153.13	IVR BBB- /Stable Outlook	--	--	--
2	Working Capital Facilities – WCDL/CC/LC/BG	Long Term/ Short Term	52.00	IVR BBB- /Stable Outlook /IVR A3	--	--	--
3	Working Capital Facilities – LC	Short Term	26.00	IVR A3	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	--	--	Up to March 2029	153.13	IVR BBB-/ Stable Outlook
Long Term / Short Term Working Capital Facilities – WCDL/CC/LC/BG	--	--	--	52.00	IVR BBB-/ Stable Outlook / IVR A3
Short Term Working Capital Facilities – LC	--	--	--	26.00	IVR A3

Annexure 2: Entities considered for consolidated analysis

Name of the company	Consolidation Approach
Al Rawasi Rocks and Aggregates LLC	Full Consolidation
ASI Global Ltd	Full Consolidation