

# ASAL

Automotive Stampings and Assemblies Limited

CIN: L28932PN1990PLC016314

ASAL/SE/2017-18  
February 8, 2018

The Executive Director,  
**BSE Limited**  
Corporate Relationship Department,  
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Dalal Street, Mumbai 400 001.

The Executive Director,  
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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 placed its ratings on the bank facilities of the Company on "**Rating Watch with Developing implications**". The details are as under:


- a) "**BBB +**" (placed on '**Rating Watch with Developing Implications**') for the Long Term borrowings;
- (b) "**CRISIL A2**" (placed on '**Rating Watch with Developing Implications**') 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



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A **TATA** Enterprise

# Ratings



## Rating Rationale

February 07, 2018 | Mumbai

### Automotive Stampings and Assemblies Limited

Ratings placed on 'Watch developing'

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.83 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BBB+ (Placed on 'Rating Watch with Developing Implications')</b>
<b>Short Term Rating</b>	<b>CRISIL A2 (Placed on 'Rating Watch with Developing Implications')</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has placed its ratings on the bank facilities of Automotive Stampings and Assemblies Limited (ASAL) on '**Rating Watch with Developing Implications**'.

The rating action follows weaker than expected performance by ASAL in the current fiscal, resulting in deterioration in the financial risk profile of the company. ASAL has reported net losses for four quarters in a row, resulting in erosion of its net worth in fiscal 2018, and weakening of its financial risk profile.

In the third quarter ended December 31, 2017, higher overheads and current lower profitability, led to operating losses despite considerable scale up in operations - ASAL reported operating income of Rs. 94.2 crore and operating loss of Rs.6.1 cr compared to operating income and operating loss of Rs.64 crore and Rs. 2.2 crore respectively during corresponding period of the previous fiscal.

CRISIL believes that sustained improvement in scale backed by better demand from its key customer and group company, Tata Motors Ltd (TML; rated 'CRISIL AA/Positive/CRISIL A1+') and stabilisation of new programmes could help ASAL improve its profitability going forward. CRISIL will shortly engage with ASAL as well as its parent, Tata Autocomp Systems Ltd. (TACO; rated 'CRISIL AA-/Stable/CRISIL A1+') to understand timelines for sustenance of volume growth, recovery in operating profitability and future business strategy for ASAL. CRISIL will resolve the watch once it has clarity on these aspects.

The ratings reflect strong business and financial support from TML and TACO. During the first nine months of fiscal 2018, TACO extended incremental support of Rs 17.5 crore in the form of unsecured loans to ASAL. These strengths are partially offset by a weak financial risk profile, limited product, geographical, and customer diversification, and low value-added nature of 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

##### Strength:

##### \* Strong business and financial support from TML and TACO:

ASAL is one of the key supplier to TML for sheet-metal stampings, welded assemblies, and modules for the passenger car segment of TML. Moreover, additional business has been received from TML and Fiat India Automobiles Private Limited (FIAT, CRISIL A/Positive/CRISIL A1), is expected to improve operating performance gradually over the medium term. In the past, TACO had extended financial support through unsecured loans and inter-corporate deposits for timely debt servicing and other funding requirement. As on December 31, 2017, unsecured loans from TACO stood at Rs. 44 crore to ASAL. CRISIL expects that TACO will continue to extend need based and timely support to ASAL going forward.

##### Weaknesses:

##### \* Limited product, geographical, and customer diversity, and low value-added operations:

ASAL continues to be highly dependent on TML (about 69% of revenues in first nine months of fiscal 2018), 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 for catering to new programmes of original equipment manufacturers (OEMs) and lower profitability.

Further, operating profitability is constrained by a limited product range, and high fixed cost intensity. There were operating losses in fiscals 2015 and 2016 and a thin operating profit in fiscal 2017 on account of sub optimal capacity utilisation. The product profile includes sheet metal stampings, welded assemblies, and modules, wherein value addition is low, constraining bargaining power.

ASAL is planning to improve utilisation of its plants through realignment of unutilised plant and machinery which is expected to result in improvement in operating performance gradually in the medium term. Growth momentum observed in third

quarter of fiscal 2018 is likely to continue supported by healthy growth outlook for commercial vehicle and passenger car segment. Ramp up of business with TML and other customers to achieve critical mass will be essential for operating level breakeven in fiscal 2019. 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.

The operating margin for the nine months ended December 31, 2017, was a negative 9.8% against 0.8% for the corresponding period of the previous fiscal. Continuing losses have resulted in increased reliance on debt, which stood at Rs 106.63 crore as on December 31, 2017.

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

**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 the revenue. It has four manufacturing facilities: two in Pune, one each in Halol, Gujarat, and Pan Nagar, Uttarakhand.

ASAL went public in March 1994, and in 1997, TACO, a Tata group company, became a joint venture (JV) partner in the company. 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**

For fiscal	Units	2017	2016
Revenue	Rs. Crore	304	263
Profit after tax (PAT)	Rs. Crore	-3	-21
PAT margin	%	-1	-7.9
Interest coverage	Times	0.3	-0.19
Adjusted debt/Adjusted networkth	Times	5.3	3.4

**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](http://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-19	20.00	CRISIL BBB+/Watch Developing
NA	Long-term loan	NA	NA	Dec-20	10.00	CRISIL BBB+/Watch Developing
NA	Cash credit#	NA	NA	NA	17.00	CRISIL BBB+/Watch Developing
NA	Letter of credit & bank guarantee	NA	NA	NA	24.00	CRISIL A2/Watch Developing
NA	Proposed long term bank loan facility	NA	NA	Mar-21	12.00	CRISIL BBB+/Watch Developing

# 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 Rating
	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+/Watch Developing		No Rating Change	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 A2/Watch Developing	No Rating Change	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+/Placed on 'Rating Watch with Developing Implications	Cash Credit	17	CRISIL BBB+/Stable
Letter of credit & Bank Guarantee	24	CRISIL A2/Placed on 'Rating Watch with Developing Implications	Letter of credit & Bank Guarantee	24	CRISIL A2
Long Term Loan	30	CRISIL BBB+/Placed on 'Rating Watch with Developing Implications	Long Term Loan	30	CRISIL BBB+/Stable
Proposed Long Term Bank Loan Facility	12	CRISIL BBB+/Placed on 'Rating Watch with Developing Implications	Proposed Long Term Bank Loan Facility	12	CRISIL BBB+/Stable
<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](#)

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