

# ASAL

Automotive Stampings and Assemblies Limited

CIN: L28932PN1990PLC016314

ASAL/SE/2017-18

August 8, 2017

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 Sirs,

With reference to the above captioned subject, this is to inform that CRISIL has downgraded its ratings on the bank facilities to (a) "**CRISIL BBB+/Stable**" for the Long Term borrowings; (b) "**CRISIL A2**" for Short Term borrowings of the Company and the outlook is 'Stable'.

Please take it on your records.

Thanking you,

Yours faithfully,

For **Automotive Stampings and Assemblies Limited**



**Ashutosh Kulkarni**  
**Company Secretary**  
M. No. – A18549



Website: [www.autostampings.com](http://www.autostampings.com)

Regd Office: G-71/2, MIDC, Bhosari, Pune 411 026 (India) Tel: 020-6631 4318 Fax-020-6631 4343

Chakan : Gat No. 427, Medankarwadi, Chakan, Tal. Khed, Dist: Pune –410 501 Tel: 91 2135 679800-03

Halol: Survey No. 173, Village Khakharia, Taluka: Savali, Dist: Vadodara, Halol – 389 350, Gujarat Telefax: 91 2667 288042, 09377666122

Uttarakhand: Plot No. 71, Sector 11, Integrated Industrial Estate, Pantnagar, US Nagar 263153 State- Uttarakhand Tel: 91 05944250652

A **TATA** Enterprise

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August 9, 2017

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Dear Sirs,

Please refer to our earlier communication dated August 8, 2017 on revision in Ratings.

A copy of report from the credit rating agency covering the rationale for revision in Rating 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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## Ratings



### Rating Rationale

August 08, 2017 | Mumbai

## Automotive Stampings and Assemblies Limited

Ratings downgraded to 'CRISIL BBB+/Stable/CRISIL A2'

#### Rating Action

Total Bank Loan Facilities Rated	Rs.83 Crore
Long Term Rating	CRISIL BBB+/Stable (Downgraded from 'CRISIL A-/Negative')
Short Term Rating	CRISIL A2 (Downgraded from 'CRISIL A2+')

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 A2' from 'CRISIL A-/Negative/CRISIL A2+'.

The downgrade reflects more-than-expected delay in recovery of operating performance, resulting in deterioration in the financial risk profile of the company. During the first three months of fiscal 2018, suboptimal capacity utilisation due to lower offtake by key customers such as Tata Motors Ltd (TML; rated 'CRISIL AA/Positive/CRISIL A1+') and General Motors India Pvt Ltd, led to an operating loss of Rs 6.5 crore. Consistent net losses in fiscals 2016 and 2017 resulted in a decline in the networth to Rs 6 crore as on June 30, 2017, from Rs 21 crore as on March 31, 2016. As the operating performance is expected to recover only gradually with pickup in demand from its key customer, TML, the credit metrics will remain weak over the near term.

The rating continues to factor in timely financial support received by the company from its promoter, Tata Autocomp Systems Ltd. (TACO; rated CRISIL AA-/Stable/CRISIL A1+); during first three months of fiscal 2018, TACO extended incremental support of Rs 5.0 crore in the form of unsecured loans.

The ratings reflect strong business and financial support from TML and the company's parent, TACO. 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

##### Strengths

##### \* 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's commercial vehicle segment from fiscal 2017, which is expected to improve operating performance. 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 June 30, 2017, unsecured loans from TACO stood at Rs 31.5 crore to ASAL. CRISIL expects that TML as well as 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 60% of fiscal 2017 revenues), resulting in client concentration risk. Hence, ASAL's performance is affected in case the new programmes of TML are delayed.

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. Revenue is likely to increase gradually in fiscal 2018 supported by supplies for the new product launches by existing customers in the passenger vehicle segment and ramp up of business from new customers. Limited customer and geographical diversification, and the low value-added nature of products will continue to restrict any significant improvement in operating profitability and in the overall business risk profile, over the medium term.

##### \* Weak financial risk profile

Operating performance deteriorated in fiscal 2018 on account of lower offtake by key customers such as TML and General Motors. Demand from original equipment manufacturers (OEMs) was impacted due to the abundant pre buying prior to introduction of BS-IV emission norms for the commercial vehicle segment.

The operating margin for the three months ended June 30, 2017, was a negative 11% against 2.6% for the corresponding period of the previous fiscal. This has resulted in depletion of its networth to Rs 6 crore and increase in total debt to Rs 82.9 crore as on June 30, 2017.

The company has moderate external debt repayment of about Rs 11 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.

#### Outlook: Stable

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 improvement in revenue growth and profitability, leading to better credit metrics

#### Downside scenario

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

\* 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 the revenue. It has four manufacturing facilities: two in Pune, one each in Halol, Gujarat, and Pantnagar, 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 fiscal 2017, ASAL reported net loss of Rs 3.50 crore on net revenue of Rs 304 crore, as against net loss of Rs 20.50 crore on net revenue of Rs 263 crore in fiscal 2016. In the first three months of fiscal 2018, net loss was Rs 11.4 crore on net revenue of Rs 54.50 crore, as against net loss of Rs 3 crore on net revenue of Rs 56.30 crore in the corresponding period of fiscal 2017.

**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](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-2019	20.00	CRISIL BBB+/Stable
NA	Long-term loan	NA	NA	Dec-2020	10.00	CRISIL BBB+/Stable
NA	Cash credit#	NA	NA	NA	17.00	CRISIL BBB+/Stable
NA	Letter of credit & bank guarantee	NA	NA	NA	24.00	CRISIL A2
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	12.00	CRISIL BBB+/Stable

#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			2017 (History)		2016		2015		2014		Start of 2014
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT		--		--	23-08-16	Withdrawal	18-03-15	CRISIL A-/Negative	03-07-14	CRISIL A-/Stable	CRISIL A/Negative
Fund-based Bank Facilities	LT/ST	59	CRISIL BBB+/Stable	23-03-17	CRISIL A-/Negative	23-08-16	CRISIL A-/Watch Developing	18-03-15	CRISIL A-/Negative	03-07-14	CRISIL A-/Stable	CRISIL A/Negative
Non Fund-based Bank Facilities	LT/ST	24	CRISIL A2	23-03-17	CRISIL A2+	23-08-16	CRISIL A2+/Watch Developing		No Rating Change	03-07-14	CRISIL A2+	CRISIL A1

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+/Stable	Cash Credit#	17	CRISIL A-/Negative
Letter of credit & Bank Guarantee	24	CRISIL A2	Letter of credit & Bank Guarantee	24	CRISIL A2+
Long Term Loan	30	CRISIL BBB+/Stable	Long Term Loan	30	CRISIL A-/Negative

Proposed Long Term Bank Loan Facility	12	CRISIL BBB+/Stable	Proposed Long Term Bank Loan Facility	12	CRISIL A-/Negative
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.

#### Links to related criteria

CRISIL's Approach to Financial Ratios

CRISIL's Bank Loan Ratings - process, scale and default recognition

Rating criteria for manufacturing and service sector companies

Rating Criteria for Auto Component Suppliers

Criteria for rating Short-Term Debt (including Commercial Paper)

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