

Rating Rationale

October 15, 2024 | Mumbai

Ashok Iron Works Private Limited

Rating migrated to 'CRISIL A+/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.125 Crore
Long Term Rating	CRISIL A+/Stable (Migrated from 'CRISIL BBB+/Stable ISSUER NOT COOPERATING*')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

*Issuer did not cooperate; based on best-available information

Detailed Rationale

Due to inadequate information and in line with the Securities and Exchange Board of India guidelines, CRISIL Ratings had migrated the rating of Ashok Iron Works Pvt Ltd (AIWPL) to 'CRISIL BBB+/Stable Issuer Not Cooperating'. However, the management has subsequently started sharing requisite information, necessary for carrying out comprehensive review of the rating. Consequently, CRISIL Ratings is migrating the rating on the long-term bank facilities of AIWPL to '**CRISIL A+/Stable**' from 'CRISIL BBB+/Stable Issuer Not Cooperating'.

The rating continues to reflect AIWPL's established market position in the automotive components sector and the promoter's extensive industry experience. These strengths are partially offset by cyclical in end-user industries and exposure to fluctuations in raw material prices.

Analytical Approach

Analytical approach has been changed from the earlier standalone approach to consolidation of business and financial risk profile of AIWPL and its subsidiaries (Details given in the annexure). The change in approach is due to revision in Management stance on expected increase in business in subsidiaries and enhanced operational and financial synergies. AIWPL is also expected to provide distress support to its subsidiaries.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position:** The company has been supplying to established players such as Cummins India Ltd, Tata Cummins Pvt. Ltd, Perkins and Mahindra & Mahindra Ltd, for over two decades. This has enabled the company to sustain the revenue of above Rs. 1000 crores in the last two fiscals eventhough revenue has seen slight moderation from Rs. 1116 crores to Rs. 1016 crores in the last fiscal. Healthy relationships with clients and strong market position should help the company to sustain its healthy revenue profile and market position.
- **Strong financial risk profile:** Network and total outside liabilities to tangible network ratio are estimated at Rs 885 crore and 0.24 time, respectively, as on March 31, 2024. Interest coverage ratio continues to be comfortable and is estimated at 80 times in fiscal 2024. Driven by healthy profitability and low debt, capital structure and debt protection metrics should improve over the medium term.

Weaknesses:

- **Cyclical in end-user industries:** The company derives around 45% of its revenue from the farm equipment and tractor sectors. These segments are cyclical as demand is driven by factors such as growth in industrial and agricultural production, freight movement, change in freight rates and fuel prices, profitability of truck operators and state transport undertakings, and government policies. Continued dependence on the commercial vehicle and tractor segments will render the business susceptible to cyclical.

- **Susceptibility to volatility in raw material prices:** Prices of the key raw materials such as pig iron and steel scrap are volatile. Although production is backed by orders, the company maintains sizeable inventory to accommodate its diverse product range and meet customer requirement. Because of limited pricing power with customers, AIWPL must absorb the fluctuations in raw material prices, thus weakening profitability.

Liquidity: Strong

Bank limits remained unutilised for the 12 months ended April 2024. Cash accrual is expected to be over Rs 190 crore against nil repayment obligation over the medium term. In addition, it will act as cushion to the liquidity of the company. Current ratio is healthy estimated at 3.74 times on March 31, 2024. Liquid funds of around Rs145 crore maintained as on March 31, 2024 provides additional liquidity cushion. Low gearing and moderate networth support financial flexibility.

Outlook: Stable

CRISIL Ratings believes AIWPL will continue to benefit from its strong market position and healthy financial risk profile.

Rating sensitivity factors

Upward factors:

- Diversification in revenue streams from end user industries; there by improving stability in operating performance coupled with significant improvement in scale of operations and operating margins sustained above 23%.
- Sustenance of strong financial risk profile and efficient working capital management

Downward factors:

- Any sharp decline in revenue and/or margin declining to below 18%
- Stretched working capital cycle, or debt-funded capex weakening the financial risk profile
- Any unfavourable outcome of the ongoing dispute with minority stakeholder having a significant impact on the liquidity and financial risk profile of the company

About the Company

Incorporated in 1981, AIWPL manufactures iron-foundry products and machined components for diesel engines, tractors, automobiles and compressors. The company has seven plants, comprising three foundries and four machine shops. Its major products are cylinder blocks, cylinder heads, transmission cases, clutch housing, hydraulic-lift body, oil pans, axle housing, hub-front wheels, gear-box housing, compressors, water and lube pumps and crankshafts.

Key Financial Indicators

As on / for the period ended March 31	Unit	2023	2022
Operating income	Rs crore	1,116.82	783.93
Reported profit after tax	Rs crore	140.89	97.66
PAT margins	%	12.62	12.46
Adjusted Debt/Adjusted Net worth	Times	0.00	0.00
Interest coverage	Times	77.83	89.47

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Working Capital Facility	NA	NA	NA	125	NA	CRISIL A+/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
JayadiTechmac pvt Ltd	100%	99% holding
Ashok core Investments pvt Ltd	100%	99% holding
Jayadi Spaces pvt Ltd	100%	99% holding
Ashok Re-energy pvt. Ltd	100%	99% holding
FPEL Urja Pvt Ltd	100%	26% holding

Radiance KA sunrise Four pvt Ltd	100%	26% holding
----------------------------------	------	-------------

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	125.0	CRISIL A+/Stable	04-09-24	CRISIL BBB+/Stable(Issuer Not Cooperating)*	07-06-23	CRISIL A+/Stable	23-05-22	CRISIL A/Stable	31-03-21	CRISIL A/Stable	CRISIL A-/Stable

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Working Capital Facility	95	HDFC Bank Limited	CRISIL A+/Stable
Working Capital Facility	30	HDFC Bank Limited	CRISIL A+/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Auto Component Suppliers
CRISILs Criteria for Consolidation

Media Relations	Analytical Contacts	Customer Service Helpdesk
Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com	Jayashree Nandakumar Director CRISIL Ratings Limited B:+91 44 6656 3100 jayashree.nandakumar@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com
Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com	Athul Unnikrishnan Sreelatha Associate Director CRISIL Ratings Limited B:+91 22 4040 5800 athul.sreelatha@crisil.com	For Analytical queries: ratingsinvestordesk@crisil.com
	NEERAJ CHAND Manager CRISIL Ratings Limited B:+91 44 6656 3100 NEERAJ.CHAND@crisil.com	

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') provided by CRISIL Ratings Limited ('CRISIL Ratings'). For the avoidance of doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for use only within the jurisdiction of India. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings provision or intention to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

The report is a statement of opinion as on the date it is expressed, and it is not intended to and does not constitute investment advice within meaning of any laws or regulations (including US laws and regulations). The report is not an offer to sell or an offer to purchase or subscribe to any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way.

CRISIL Ratings and its associates do not act as a fiduciary. The report is based on the information believed to be reliable as of the date it is published, CRISIL Ratings does not perform an audit or undertake due diligence or independent verification of any information it receives and/or relies on for preparation of the report. THE REPORT IS PROVIDED ON "AS IS" BASIS. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS, CRISIL RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE. In no event shall CRISIL Ratings, its associates, third-party providers, as well as their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

The report is confidential information of CRISIL Ratings and CRISIL Ratings reserves all rights, titles and interest in the rating report. The report shall not be altered, disseminated, distributed, redistributed, licensed, sub-licensed, sold, assigned or published any content thereof or offer access to any third party without prior written consent of CRISIL Ratings.

CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains or its associates. Ratings are subject to revision or withdrawal at any time by CRISIL Ratings. CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors.

CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For more detail, please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the Securities and Exchange Board of India regulations (and other applicable regulations, if any), are made available on its websites, www.crisilratings.com and <https://www.ratingsanalytica.com> (free of charge). CRISIL Ratings shall not have the obligation to update the information in the CRISIL Ratings report following its publication although CRISIL Ratings may disseminate its opinion and/or analysis. Reports with more detail and additional information may be available for subscription at a fee. Rating criteria by CRISIL Ratings are available on the CRISIL Ratings website, www.crisilratings.com. For the latest rating information on any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisilratings.com/en/home/our-business/ratings/credit-ratings-scale.html>