

Autoline Industries Limited

March 27, 2018

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|--|------------------------------|---------------|
| Long term Bank Facilities | 124.91 | CARE D (Single D) | Reaffirmed |
| Short-term Bank Facilities | 20.00 | CARE D (Single D) | Reaffirmed |
| Total Facilities | 144.91 (Rupees One Hundred Forty Four crore and Ninety One Lakh only) | | |

Details of instruments/facilities in Annexure-1;

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Autoline Industries Limited (AIL) continues to remain constrained on account of on-going delays in debt servicing by AIL due to its stressed liquidity position. The rating strengths are also tempered by weakened financial risk profile marked by net loss in FY17 (FY refers to the period April 01 to March 31) and 9MFY18 resulting in depletion of net worth and deterioration in debt coverage indicators as on March 31, 2017 and December 31, 2018 and client concentration risk. The rating however continues to derive strength from experienced and resourceful promoters.

Detailed description of the key rating drivers

Key Rating Weakness

On-going delays in debt servicing: There are on-going delays in servicing of its debt obligations of bank facilities due to its stretched liquidity position on account of slow sales velocity resulting in net loss during FY17 and 9MFY18.

Weakened financial risk profile marked by net loss in FY17 and 9MFY18 resulting in depletion of net worth and debt coverage indicators as on March 31, 2017 and December 31, 2017: During FY17, AIL has reported net loss of Rs. 81.96 crore as against the net loss of Rs. 38.59 crore in FY16 owing to high interest obligation coupled with depreciation expenses resulting in depletion of net worth to Rs.54.83 crore as on March 31, 2017 as against Rs. 105.48 crore as on March 31, 2016. Hence, the capital structure of the company has deteriorated further with overall gearing at 4.00x as on March 31, 2017. Further, debt coverage parameters (term debt/GCA and total debt/GCA) have also weakened on account of cash losses during the year FY17 and 9MFY18.

Further, during FY17, AIL has reported total operating income of Rs. 355.77 crore (Rs. 311.57 crore in FY16) with operating profit of Rs. 4.32 crore (against operating loss of Rs. 0.13 crore in FY16) on account of lower cost of raw materials (accounted 74% in FY17 as against 80% in FY16).

Furthermore, during 9MFY18, AIL has achieved total operating income of Rs. 267.67 crore with operating loss of Rs. 6.27 crore and net loss of Rs. 49.24 crore.

Key Rating Strengths

Experienced and resourceful promoters: The promoters of AIL have nearly fifteen years of experience in manufacturing sheet metal components, assemblies and sub-assemblies for OEMs in the automobile industry. The promoters of the company have remained resourceful with continuous infusion of funds in the company in the form of equity and short term loans and advances during last three years. During FY17 and 9MFY18, the promoters have infused equity to the tune of Rs. 7.77 crore in addition to short term loans and advances of Rs. 1.98 crore during FY17.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology-Auto Ancillary Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Incorporated in December 1996, AIL is engaged in manufacturing of auto components especially sheet metal components, sub-assemblies and assemblies. AIL is an integrated auto ancillary company that designs, engineers, develops and manufactures auto components and assemblies. The capacities have been acquired through organic and inorganic growth. AIL's products (more than 1,000 varieties) are used in Commercial Vehicles (CV), Passenger Cars (PC), Sports Utility Vehicles (SUV), two wheelers, tractors by Original Equipment Manufacturers (OEMs) like Tata Motors Ltd

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

(TML), Mahindra & Mahindra (M&M), Bajaj Auto Ltd (BAL), Force Motors (FM), General Motors (GM), Volkswagen (VW), etc. in the automobile industry.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Total operating income | 311.57 | 355.77 |
| PBILDT | -0.13 | 4.32 |
| PAT | -38.59 | -69.36 |
| Overall gearing (times) | 1.87 | 4.00 |
| Interest coverage (times) | NM | 0.13 |

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned |
|--------------------------------------|------------------|-------------|-------------------|-------------------------------|-----------------|
| Fund-based - LT-Term Loan | - | - | November 30, 2021 | 99.46 | CARE D |
| Fund-based - LT-Cash Credit | - | - | - | 25.45 | CARE D |
| Non-fund-based - ST-Letter of credit | - | - | - | 20.00 | CARE D |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|--------|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Term Loan | LT | 99.46 | CARE D | 1)CARE D (01-Aug-17) 2)CARE B-; Stable (02-May-17) | 1)CARE B- (22-Apr-16) | - | 1)CARE D (20-Aug-14) |
| 2. | Fund-based - LT-Cash Credit | LT | 25.45 | CARE D | 1)CARE D (01-Aug-17) 2)CARE B-; Stable (02-May-17) | 1)CARE B- (22-Apr-16) | - | 1)CARE D (20-Aug-14) |
| 3. | Non-fund-based - ST-Letter of credit | ST | 20.00 | CARE D | 1)CARE D (01-Aug-17) 2)CARE A4 (02-May-17) | 1)CARE A4 (22-Apr-16) | - | 1)CARE D (20-Aug-14) |

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