

Autoline Industries Limited

May 2, 2017

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	124.91	CARE B-; Stable (Single B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank facilities	20.00	CARE A4 (A Four)	Reaffirmed
Total	144.91 (Rs. One Hundred forty four crore Ninety one lacs only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Autoline Industries Limited (AIL) are constrained by weak financial risk profile marked by declining profitability and deteriorating debt coverage indicators, client concentration risk and exposure to volatility in raw material prices.

The above constraints outweigh the comfort derived from the experienced promoters with established track record within the auto component manufacturing segment and locational advantage and grant of mega project status to Plant II at Chakan.

The ability of entity to improve its scale of operation and effective management of working capital is the key rating sensitivity.

Detailed Description of Key rating Factors
Key Rating Weakness
Weakening of financial risk profile market by declining profitability and debt coverage indicators

During FY16, the turnover of AIL declined to Rs.311.57 crore as compared to Rs.362.45 crore in FY15 resulting in deterioration in the financial risk profile with negative cash accruals.

Due to high margin orders executed by the company during FY16, the company was able to reduce its operating loss during FY16.

The company reported net loss of Rs.38.59 crore during FY16 as compared to net loss of Rs.32.60 crore during FY15 leading to weak debt coverage indicators for the company.

During 9MFY17 (refers to April 1,2016 to December 31,2016), the company booked an operating income of Rs.246.03 crore compared to Rs.224.44 crore during 9MFY16.

The debt to equity ratio of the company deteriorated further to 1.42x and overall gearing of 1.87x as on March 31, 2016 as compared to debt to equity ratio of 0.98x and overall gearing of 1.34x as on March 31, 2015.

Client Concentration Risk

AIL supplies its products primarily to domestic automobile OEMs, like TML, M&M, BAL etc. However, AIL has high client concentration with TML accounting for around 73% of net sales during FY16 (P.Y.: 74%) while the remaining sales were fragmented across the other clients. As a result of high customer concentration, the operational and financial performance of AIL has major linkages with the performance of TML and any major slowdown in the production of automobiles or delay in receipts of payments from TML would have an adverse impact on the financial risk profile of the

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

company. In order to diversify the customer base, AIL is adding new customers in its clientele base with other major OEMs like Mahindra & Mahindra, VW, GM, Daimler, Ashok Leyland – Nissan, etc. Further, AIL has diversified product profile, around 45% of AIL's sales are from products used in CVs and 33% from products used in PCs and remaining 22% are fragmented across products that fit into a range of SUVs, MUVs and other vehicles.

Exposure to volatility in raw material prices

Raw material cost is a major cost component (~79% of total sales during FY16) for AIL. The company uses steel (Hot Rolled [HR] and Cold Rolled [CR] coils) as the primary raw material which is purchased from various domestic steel companies. For products supplied to TML, the vendors are pre-approved by TML and the raw material prices are fixed in consultation with TML and effect of any revision is to be passed on to TML with some lag. This insulates AIL's margins from downside to a significant extent as TML is its major customer

Key Rating Strengths:

Experienced promoters with established track record within auto component manufacturing segment

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 company started business as a contract manufacturer of sheet metal components and gradually started offering products across value chain of auto components manufacturing business. Currently, AIL supplies both standard and customized product range covering various products utilized for the manufacturing of commercial vehicles (CV), passenger vehicles (PV), two and three wheelers.

Locational advantage and grant of mega project status to Plant II at Chakan

AIL has its manufacturing units at Chakan near Pune which is being developed as the automotive hub in Western India as also Pantnagar, near Uttarakhand. As a result, its operations are in close vicinity to various OEMs. The manufacturing unit of the company located at Nanekarwadi Chakan, unit –II has been recognized as Mega Project in June 2011, is eligible to receive Industrial Promotion Subsidy by Directorate of Industries, Government of Maharashtra of Rs.77.58 crore to be availed over the period of 7 years commencing from October 2009. AIL has received Rs.7.20 crore in FY16 up from Rs.6.70 crore in FY15.

Analytical Approach followed: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial Ratios-Non Financial Sectors](#)

[Rating Methodology-Auto Ancillary Companies](#)

Company Background

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

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.

Analyst Contact

Name: Mr. Aniruddha Mate

Tel: 020-40009007

Mobile: 9970613934

Email: Aniruddha.mate@careratings.com

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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 along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Nov 2021	99.46	CARE B-; Stable
Fund-based - LT-Cash Credit	-	-	-	25.45	CARE B-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	20.00	CARE A4

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 B-; Stable	-	1)CARE B- (22-Apr-16)	-	1)CARE D (20-Aug-14)
2.	Fund-based - LT-Cash Credit	LT	25.45	CARE B-; Stable	-	1)CARE B- (22-Apr-16)	-	1)CARE D (20-Aug-14)
3.	Non-fund-based - ST-Letter of credit	ST	20.00	CARE A4	-	1)CARE A4 (22-Apr-16)	-	1)CARE D (20-Aug-14)

CONTACT**Head Office Mumbai****Mr. Mehul Pandya**

Cell: +91-98242 56265

E-mail: mehul.pandya@careratings.com**Mr. Saikat Roy**

Cell: + 9198209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

NEW DELHI**Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr.Pratim Banerjee

9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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