

## Autolite (India) Limited

December 27, 2017

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	7.20	<b>CARE BB; Negative (Double B; Outlook: Negative)</b>	Reaffirmed
Short-term Bank Facilities	15.50	<b>CARE A4 (A Four)</b>	Reaffirmed
<b>Total Facilities</b>	<b>22.70 (Rupees Twenty Two crore and Seventy lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Autolite (India) Limited (AIL) are constrained on account of its moderate scale of operations and moderately weak debt coverage indicators. The ratings are further constrained on account of working capital intensive nature of operations with stressed liquidity position, susceptibility of its operating profit margins to raw material price as well as foreign exchange fluctuation and dependency on the cyclical automobile industry. The ratings also factor in decline in scale of operations alongwith deterioration in profitability margins in FY17 (refers to the period April 1 to March 31).

The above constraints outweigh the benefits derived from the experienced promoters and senior management team with established track record of operations and established presence in automotive lighting systems, long-standing relation with reputed clientele and moderate capital structure.

Increase in the scale of operations along with improvement in profitability margins as well as debt coverage indicators and efficient working capital management are the key rating sensitivities.

#### Outlook: Negative

The negative outlook is on account of decline in scale of operations in H1FY18 on y-o-y basis as well as net losses and cash losses incurred during the same period along with expectation of further deterioration in overall financial profile of the company in FY18

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### ***Decline in scale of operations and thin profitability margins:***

During FY17, TOI registered decline by around 11% on y-o-y basis and stood relatively modest at Rs.114.42 crore. Further, the company has reported TOI of Rs.42.86 crore in H1FY18 registering decline by around 28% on y-o-y basis as against the same reported in H1FY17.

Profitability margins of the company have exhibited fluctuating trend during past three years (FY15-17). During FY17, PBILDT margin of the firm decreased by around 63 bps to 7.45%. PAT margin also declined by 252 bps to 0.42% in FY17. Further, AIL incurred net loss as well as cash losses in H1FY18.

##### ***Moderate capital structure albeit moderately weak debt coverage ratios:***

The capital structure of AIL improved and stood moderate with an overall gearing of 0.87 times as on March 31, 2017 (1.00 times as on March 31, 2016), on account of accretion of profit to reserve along with decline in its total debt level. Further, the debt coverage indicators of the company stood moderately weak with total debt to GCA of 10.57 times as on March 31, 2017 (10.18 times as on March 31, 2016), and PBILDT interest coverage at 1.63 times in FY17 ( 1.63 times in FY16).

Further, due to net and cash loss in H1FY18, net worth base of the company is expected to erode thereby resulting in expected deterioration of its capital structure as well as debt coverage indicators.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Stressed Liquidity position:**

The operations of AIL are working capital intensive marked by high collection and moderate inventory holding which is partially offset by extended credit period available from suppliers. The operating cycle of the company stood high at 92 days in FY17; increased from 71 days in FY16. The liquidity ratios stood moderate with current ratio and quick ratio at 1.30 times and 0.92 times respectively as on March 31, 2017. Further, the average utilisation of fund-based working capital limit stood almost full during last 12 months period ended November, 2017 as per conversation with the banker. Moreover, the company has availed ad-hoc limit amounting to Rs.1.00 crore for the period of one month in May, 2017.

**Raw material price volatility and foreign exchange fluctuation risk and dependency on cyclical automobile industry:**

For OEM's (where orders are in large quantity and have to be executed over longer duration) the company faces raw material price fluctuation risk. The company gets the benefit of natural hedge as it is involved in the export of headlamps and halogens as against import of raw materials such as glass, nickel, tungsten and molybdenum. However, the company does not hedge the balance exposure and hence is exposed to foreign currency fluctuation risk to the extent of unhedged exposure. Further as AIL's products find usage in automobile industry and hence it is exposed to the performance of the automobile industry in the domestic and foreign market.

**Key Rating Strengths*****Experienced promoters and senior management team:***

AIL is promoted by Mr Mahipal Gupta, present Chairman and Managing Director, who is a Mechanical Engineer by qualification with more than four decades of experience in this business and looks after the overall strategy of the company. He is assisted by his sons Mr Amit Gupta and Mr Adarsh Gupta who have more than a decade of business experience and they look after the technical and commercial aspects of the company, respectively. The company has also appointed experienced professionals to manage the day-to-day operations of the company.

***Long track record of operations and established presence in automotive lighting systems with long-standing relation with reputed clientele:***

Over past four decades AIL has developed long standing relations with reputed OEMs in the commercial vehicles segment. AIL has established relationship with both domestic as well as overseas customers in the automotive segment. The company has presence in more than 45 countries worldwide through its strong marketing network of agents and distributors. The company caters to all the three segments viz. OEM's, replacement market and manufacturing for other brands in the exports market.

**Industry outlook:** The auto component industry is expected to witness growth which will be largely driven by the buoyancy witnessed in automobile sales.

**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](#)

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

**About the Company**

Autolite (India) Ltd (AIL) is a public limited company based in Jaipur (Rajasthan) which was initially constituted in 1970 as a proprietorship firm in the name of 'Autolite of India' by Mr. Mahipal Gupta. The constitution of firm was then changed to partnership with Mr. Gupta and his brothers as partners and was subsequently incorporated as a private limited company in 1977. Further, the constitution of the company was changed to public limited in 1986 and it got listed on BSE and NSE in November 2000.

AIL is primarily engaged in the manufacturing of automotive lighting systems (head lamps, halogen bulbs, tail lights, LED lamps, fog lamps, etc.) catering to Original Equipment Manufacturers (OEM) as well as replacement market under the 'AUTOPAL' brand. The company also does manufacturing of lighting systems for other reputed brands (wherein the

company carries out job work for reputed brands also called as branding clients) and caters to the export market as well. The company has two manufacturing units in Jaipur which have ISO 14001:2004 and ISO TS- 16949:2009 and OHSAS 18001:2007 certification with an aggregate installed production capacity of 0.66 crore pieces per annum of head lamps and 1.10 crore pieces per annum of halogen bulbs as on March 31, 2016. The company also has a separate division for manufacturing machines, dies and moulds.

The company belongs to 'AUTOPAL MPG' group of Jaipur which is promoted by Mr. Mahipal Gupta along with his sons Mr. Amit Gupta and Mr. Adarsh Gupta. Other companies in the group are 'Autolite Manufacturing Ltd' (AML) which is also engaged in manufacturing of automotive lighting systems at Rudrapur (Uttarakhand) and 'Palsoft Infosystems Ltd' (engaged in development of ERP solutions for automotive industry and product development solutions using CAD/ CAM). ALL has a 100% subsidiary 'Autopall Inc' in USA which acts as warehousing and distribution agent for the parent company for North and South American market.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	128.36	114.42
PBILDT	10.37	8.52
PAT	3.77	0.47
Overall gearing (times)	1.00	0.87
Interest coverage (times)	1.63	1.63

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** None

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**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-Cash Credit	-	-	-	6.00	CARE BB; Negative
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	4.00	CARE A4
Fund-based - ST-Packing Credit in Foreign Currency	-	-	-	8.00	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	3.50	CARE A4
Fund-based - LT-Term Loan	-	-	May, 2018	1.20	CARE BB; Negative

**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-Cash Credit	LT	6.00	CARE BB; Negative	-	1)CARE BB; Stable (08-Dec-16)	-	-
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	4.00	CARE A4	-	1)CARE A4 (08-Dec-16)	-	-
3.	Fund-based - ST-Packing Credit in Foreign Currency	ST	8.00	CARE A4	-	1)CARE A4 (08-Dec-16)	-	-
4.	Non-fund-based - ST-BG/LC	ST	3.50	CARE A4	-	1)CARE A4 (08-Dec-16)	-	-
5.	Fund-based - LT-Term Loan	LT	1.20	CARE BB; Negative	-	1)CARE BB; Stable (08-Dec-16)	-	-

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CIN - L67190MH1993PLC071691