Press Release

Autoline Industries Limited

July 26, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	90.75	IVR B+/ Stable (IVR Single B plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	20.25	IVR A4 (IVR A four)	Assigned	Simple
Total	**111.00 (INR One hundred and eleven crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Autoline Industries Limited (AIL) derives strength from long experience of its promoters coupled with improvement in its top line and profitability in FY22. However, these rating strengths are constrained on account of past history of delay in debt servicing, profitability remains susceptible to price volatility of raw materials, exposure to cyclicality inherent in auto industry, intense competition in automotive component industry which exert pressure on margins, leveraged capital structure and low coverage indicators.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in revenue with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure, overall gearing, and debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators.
- Elongation in the operating cycle and fluctuation in raw material prices impacting the liquidity position of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced & resourceful promoters and directors**

The promoters have long standing experience in the manufacturing business and have favourable relations with suppliers and customers. Extensive business experience of the promoters supports the business risk profile of the company to a large extent.

- **Improvement in the topline and profitability**

After witnessing a ~10% decline in revenues in FY21 due to the impact of Covid-19, top line of the company grew ~99% year on year to ~Rs. 566 crore in FY22 backed by the restart of operations on regular basis which led to an increase in revenue. Consequently, the profitability of the company has grown significantly as depicted with EBITDA and PAT margin of 7.99% and 1.32%, respectively in FY22 compared to the EBITDA and PAT margin of 3.28% and -12.45%, respectively in FY21. Infomerics believes that a sustained increase in topline will be the key rating factor going ahead.

Key Rating Weaknesses

- **Past history of delay in debt servicing**

Autoline Industries Limited had history of delay in debt servicing due to stressed liquidity position in the previous years.

- **Profitability remains susceptible to price volatility of raw materials**

Steel is the major raw material for the company. Steel prices are highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors. Thus, the company's cash flows and profits are susceptible to fluctuation in raw material prices.

- **Exposure to cyclicality inherent in auto industry**

The company’s business is susceptible to inherent cyclicity as the automotive industry, linked to the performance of the economy.

- **Intense competition in automotive component industry which exert pressure on margins**

Intense competition due to the presence of other automotive component manufacturers, which exerts pricing pressures, is likely to weigh on the company's operating margins. With increasing presence of domestic as well as international players in the automotive ancillary business, the competition had increased over the years.

- **Leveraged capital structure and low coverage indicators**

The capital structure of the company is leveraged as reflected by an adjusted gearing of 8.83x as on March 31, 2022. The tangible net worth of company stood at Rs. 26.26 crore as on March 31, 2022, and the ATNW stands in minus Rs 25.28 crore due to its investment in group companies. The debt coverage stood stressed as reflected from debt service coverage ratio of 0.58x in FY22 which is below unity. Interest coverage was at 1.87 times in FY22 from 0.30x on the back of increase in EBITDA.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies]

[Financial Ratios & Interpretation (Non-Financial Sector)]

<u>Liquidity</u> – Stretched

The liquidity position of the company is expected to remain stretched due to the inadequate cushion in cash accruals as against its repayment obligations during FY22(Audited). The bank limit utilization on overall cash credit limit of Rs 17.50 crore also remains at a high level of around ~98% over the 12 months ended in March 2022.

<u>About the Company</u>

M/s Autoline Industries Ltd is a listed company (incorporated on December 16, 1996, as Autoline Stampings Private Ltd.) that was initially set up in January 1995 as a partnership firm known as "Autoline Pressings". The registered office of the Company is located at Nanekarwadi, Chakan, Pune. The Company is engaged in manufacturing auto components (sheet metal) and is a supplier to Original Equipment Manufacturers (OEMs) and automobile companies. The Company has three business divisions namely Medium and Large Stamped Assemblies, Mechanical Assembly/Driver Control Systems and Concept, Styling, Designing, Analysis Application Software Services.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-March-21 (Audited)	31-March-22 (Audited)
Total Operating Income	284.14	566.38
EBITDA	9.32	45.24
PAT	-35.61	7.50
Total Debt	191.63	231.84
Tangible Net worth	-8.13	26.26
EBIDTA Margin	3.28	7.99
PAT Margin	-12.45	1.32
Overall Gearing ratio (x)	-23.58	8.83

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan I	Long Term	4.42	IVR B+/ Stable	-	-	-
2.	Term Loan II	Long Term	23.83	IVR B+/ Stable	-	-	-
3.	Revolving Working Capital	Long Term	10.00	IVR B+/ Stable	-	-	-
4.	Supply Chain Finance	Long Term	35.00	IVR B+/ Stable	-	-	-
5.	Cash Credit	Long Term	17.50	IVR B+/ Stable	-	-	-

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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
6.	Letter of Credit	Short Term	20.00	IVR A4	-	-	-
7.	Bank Guarantee-Proposed	Short Term	0.25	IVR A4	-	-	-

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan I	-	-	FY23	4.42	IVR B+/Stable
Term Loan II	-	-	FY27	23.83	IVR B+/Stable
Revolving Working Capital	-	-	-	10.00	IVR B+/Stable
Supply Chain Finance	-	-	-	35.00	IVR B+/Stable
Cash Credit	-	-	-	17.50	IVR B+/Stable
Letter of Credit	-	-	-	20.00	IVR A4
Bank Guarantee-Proposed	-	-	-	0.25	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: https://www.infomerics.com/admin/prfiles/Lender-Autoline-26-07-22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.