Press Release

Autoline Industries Limited

September 10, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	89.76 (reduced from 98.81)	IVR BB+; Stable (IVR Double B Plus with Stable Outlook)	IVR BB; Stable (IVR Double B with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	19.00 (reduced from 20.00)	IVR A4+ (IVR A Four Plus)	IVR A4 (IVR A Four)	Upgraded	Simple
Total	**108.76 (Rupees one hundred and eight crore and seventy-six lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The upgrade in the ratings assigned to the bank facilities of Autoline Industries Limited (AIL) considers stable business performance with improvement in profitability leading to improvement in capital structure with improvement in debt protection metrics coupled with asset monetization initiatives which is expected to improve the liquidity of the company in the near term. Further, the ratings continue to derive strength from its experienced promoters, improvement in financial risk profile and healthy order book position. However, these rating strengths continue to remain constrained due to susceptibility of its profitability to volatility in its raw material prices, exposure to project implementation risk, exposure to cyclicality inherent in auto industry and intense competition in automotive component industry which exert pressure on margins and project implementation risk. The stable outlook reflects the expected stable business performance of the company with improvement in financial risk profile.

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 marked by improvement in overall gearing along with improvement in debt protection metrics
- Improvement in liquidity

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
- Moderation in the capital structure marked by moderation in overall gearing to above 2x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters have long standing experience in automobile parts 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.

Stable business performance with improvement in profitability

The total operating income (TOI) has increased in FY24 (FY refers to the period from April 01 to March 31) to Rs.650.74 crore from Rs. 646.59 crore in FY23 registering a Y-o-Y growth of ~0.64%. Despite marginal growth in TOI, the absolute EBITDA has significantly improved from Rs.36.99 crore in FY23 to Rs. 51.68 crore in FY24 mainly due to decline in raw material prices. Consequently, EBITDA margin has improved from 5.72% in FY23 to 7.94% in FY24. The PAT margin has also improved from 2.29% in FY23 to 2.87% in FY24. Aided by improvement in profitability, the net cash accruals have improved from Rs.18.73 crore in FY23 to Rs.32.29 crore in FY24. AIL has achieved a revenue of Rs.150.75 crore in Q1FY25.

Improvement in capital structure with improvement in debt protection metrics

The capital structure marked by overall gearing ratio has improved significantly from 3.86x as on March 31, 2023, to 1.84x as on March 31, 2024, with accretion of profit to reserves. The total indebtedness of the company marked by TOL/TNW has also improved and stood at 3.60x as on March 31, 2024, as against 6.75x as on March 31, 2023. The debt protection metrices marked by interest coverage has improved from 1.73x in FY23 to 2.32x in FY24 underpinned by rise in absolute EBITDA. Moreover, on the back of improved net cash accruals, total debt/NCA has improved from 8.90 years as on March 31, 2023, to 5.78 years as on March 31, 2024.

Healthy order book position

AIL has a healthy order book position of Rs.848.21 crore. The company is expecting to complete the orders by the end of this fiscal year.

Asset monetization initiative through stake sale in subsidiary

Autoline Industrial Parks Limited (AIPL), AIL's subsidiary, has entered a strategic MOU with MNSC Realty & Developers Pvt Ltd to sell 98.817 acres and 6.25 acres of land. The sale is set to yield Rs. 113 Crore, with AIPL and other shareholders receiving Rs.105 Crore and Rs. 8 Crore, respectively, over the next few years. As a result, Autoline Industries Ltd. will get Rs. 95.17 Crore through MNSC by Divestment of Investment in Autoline Industrial Parks Ltd (AIL has an investment of Rs. 70.72 Crore in Autoline Industrial Parks Limited (AIPL)). This move will enable AIL to realize a profit of Rs.18.22 Crore on the sale of its investment in AIPL. The proceeds from this transaction are expected to boost AIL's liquidity. AIL has already received ~Rs. 70 crores till 31.07.2024.

Key Rating Weaknesses

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.

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.

Project implementation risk

AIL has three ongoing projects at Sanand, Pune and Hosur. The plant at Sanand will cater to all new vehicles of Tata Motors Limited and the proposed cost for this project is ~Rs.79.46 crore which will be financed through a term loan of Rs.42 crore and funds received from divestment (stake sale in subsidiary) amounting to Rs. 27.47 Crore, and the remaining from internal accruals. The financial closure for Term Loan has been achieved. The other two projects for capacity enhancement at Pune and Hosur will be funded via Compulsorily Convertible Debentures (CCD) and internal accruals respectively. All the three projects are at the initial stage thus the company is exposed to project implementation risk and post project stabilisation risk.

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.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Manufacturing Companies.
- Financial Ratios & Interpretation (Non-Financial Sector).
- Criteria for assigning Rating outlook.
- Policy on Default Recognition
- Complexity Level of Rated Instruments/Facilities

Liquidity – Stretched

The liquidity position appears stretched with high working capital intensive nature of the business. The average fund-based utilisation stood high at ~98% for the past 12 months ended May 2024 indicating limited liquidity buffer for the company. Besides, the current ratio remains below unity as on March 31,2024 which indicates insufficient liquidity cushion. However, expected cash inflow from stake sale in subsidiary is expected to improve the liquidity of the company in the near term.

About the Company

Autoline Industries Limited (incorporated on December 16, 1996, as Autoline Stampings Private Ltd.) 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 of 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*	31-03-2023	31-03-2024	Q1FY25
	Audited	Audited	Unaudited
Total Operating Income	646.59	650.74	150.75
EBITDA	36.99	51.68	15.61
PAT	14.88	18.79	5.42
Total Debt	167.11	186.65	-
Tangible Net Worth	43.31	101.68	-
Adjusted Tangible Net Worth	-32.62	25.75	-
EBITDA Margin (%)	5.72	7.94	10.35
PAT Margin (%)	2.29	2.87	3.60
Overall Gearing Ratio (x)	3.86	1.84	-
Adjusted Overall Gearing Ratio (x)	-5.12	7.25	-
Interest Coverage (x)	1.73	2.32	2.19

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Aug 24, 2023	Jul 26, 2022	-
1.	Term Loan	Long Term	14.45	IVR BB+; Stable	IVR BB; Stable	IVR B+; Stable	-
2.	Term Loan	Long Term	13.43	IVR BB+; Stable	IVR BB; Stable	IVR B+; Stable	-
3.	Revolving Working Capital	Long Term	10.00	IVR BB+; Stable	IVR BB; Stable	IVR B+; Stable	-
4	Supply Chain Finance	Long Term	35.00	IVR BB+; Stable	IVR BB; Stable	IVR B+; Stable	-
5.	Cash Credit	Long Term	16.88	IVR BB+; Stable	IVR BB; Stable	IVR B+; Stable	-
6.	Letter of Credit	Short Term	19.00	IVR A4+	IVR A4	IVR A4	-

Analytical Contacts:

Name: Nidhi Sukhani	Name: Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: nsukhani@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Sep 2026	14.45	IVR BB+; Stable
Term Loan	-	-	-	Dec 2026	13.43	IVR BB+; Stable
Revolving Working Capital	-	-	-	-	10.00	IVR BB+; Stable
Supply Chain Finance	-	-	-	-	35.00	IVR BB+; Stable
Cash Credit	-	-	-	-	16.88	IVR BB+; Stable
Letter of Credit	-	-	-	-	19.00	IVR A4+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-autoline-sep24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.