

Press Release

Autolite (India) Limited

May 07, 2019

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	2.00	IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook)	Assigned
Long Term Bank Facilities – Cash Credit	7.00	IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook)	Assigned
Short Term Bank Facilities – Packing Credit	6.00	IVR A4+ (IVR A Four plus)	Assigned
Short Term Bank Facilities – Foreign Bill Discounting	2.50	IVR A4+ (IVR A Four plus)	Assigned
Short Term Bank Facilities – Letter of Credit	2.50	IVR A4+ (IVR A Four plus)	Assigned
Short Term Bank Facilities – Bank Guarantee	1.00	IVR A4+ (IVR A Four plus)	Assigned
Total	21.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Autolite (India) Limited (AIL) favourably factors vast experience of promoters and management, long track record of operations of the company, established clientele and diversified market presence. However, the ratings are constrained by total operating income being range bound, susceptibility of profitability to volatility in raw material prices, intense competition in the auto component industry and exposure to foreign currency fluctuation risk. The aforesaid ratings also take into account its working capital intensive nature of operations and fragile debt protection parameters. Ability to achieve the envisaged growth, profitability and efficient working capital management are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management with long track record of operations

Autolite (India) Limited is the flagship company of the Jaipur based 'Autopal MPG' Group and has been in the auto component industry for over the last five decades. The promoters are vastly experienced with over 50 years of experience in this industry. Presently, the day to day operations of the company are looked after by Mr. Amit Gupta and Mr. Adarsh Gupta (brothers by relation and son of the founder promoter Mr. Mahi Pal Gupta) having more than a decade of business experience. The company has also appointed experienced and qualified professionals. The board work under the guidance of Mr. Mahi Pal Gupta in managing the affairs of the company.

Established clientele

The company, over the years, has developed long standing relationships with large OEM's and Tier I players (across India and abroad).

Diversified market presence

AIL has presence in multiple countries and export its products to more than 50 countries. The export sales constituted around 23 per cent of its total revenues in FY18 (FY refers to the period from April 1 to March 31). This insulates the company from any regional economic downturns.

Key Rating Weaknesses

Total operating income being range bound with deterioration in profit margins

The total operating income (TOI) of the company remained range bound in the past three years with profitability witnessing a declining trend primarily on account of increase in prices of its key raw materials – steel and iron sheets, slowdown in the automobile industry leading to continuous decline in export sales where the margins generally remained high. In 9MFY19, the company has achieved a PBT of 0.43 crore on total operating income of Rs.81.57 crore.

Moderate debt protection parameters

The overall gearing of the company stood moderate at 0.97x as on March 31, 2018 (0.98x as on March 31, 2017). However, the debt coverage indicators stood moderately weak with high Total debt to GCA of 10.36x as on March 31, 2018 (10.17x as on March 31, 2017) and moderate interest coverage ratio of 1.46x in FY18 (1.55x in FY17).

Exposure to volatility in raw material prices and forex fluctuations

The key raw materials used by the company—stainless steel and iron sheets, which are highly volatile in nature. The profitability of the company is susceptible to any sharp fluctuation in the raw material prices which may dampen the profitability. Further, the company imports raw materials such as glass, nickel, tungsten and molybdenum which entail a foreign exchange

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fluctuation risk. However, the company earns a substantial portion of its revenue by way of exports (~23 per cent of total sales in FY18), and has a benefit of natural hedging. However, the company remains exposed to the foreign currency fluctuation risk in absence of proper hedging mechanism.

Working capital intensive nature of operations

The company has elongated debtor days (over 100 days generally), due to better bargaining power of its clientele which are established OEM's. However, the same is significantly mitigated due to availing of long credit period from its suppliers. Average working capital utilisation for the last 12 months ended March, 2019 was high at ~86.79%.

Intense competition

The company remains exposed to intense competition from several large and small – scale domestic and international player.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Default Recognition and Post-Default Curing Period

Liquidity

The company's bank limits remained highly utilized for the twelve months through March 2019. However, the company is expected to generate modest accruals going forward and will be able to meet its debt obligations in the near to medium term.

About the Company

AIL was initially established as a proprietorship concern by Mr. Mahi Pal Gupta in 1970 and was subsequently converted into a private limited company in 1977 and finally into a public limited company on March 31, 1982. The company got listed in BSE and NSE on November 2000. Jaipur based AIL is the flagship company of Autopal MPG Group. The company is engaged in the manufacturing of Automotive Head Lamps, Work Lamps, LED Lamps, Fog lamps, Turn Signal Lamps, Halogen Bulbs, Incandescent Bulbs, Miniature Bulbs and Wiring Harness in its two manufacturing units in Jaipur with an annual installed capacity of 0.45 crore pieces of Headlamps and 1.2 crore pieces of Halogen bulbs. The company sells its products under the brand name 'Autopal' in domestic and international market and primarily caters to the OEM's along with the replacement market.

Financials (Standalone):

(Rs. crore)

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For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	113.64	124.68
EBITDA	7.80	7.06
PAT	0.61	0.49
Total Debt	35.49	35.90
Tangible Net worth	36.27	36.93
EBITDA Margin (%)	6.86	5.67
PAT Margin (%)	0.53	0.39
Overall Gearing Ratio (x)	0.98	0.97

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: The entity was moved into Issuer Not Cooperating category by CARE Ratings vide their press release dated April 05, 2018 on account of non-payment of surveillance fees.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Term Loan	Long Term	2.00	IVR BB+ / Stable Outlook	-	-	-
2.	Long Term Fund Based Limits – Cash Credit	Long Term	7.00	IVR BB+ / Stable Outlook	-	-	-
3.	Short Term Bank Facilities – Packing Credit	Short Term	6.00	IVR A4+	-	-	-
4.	Short Term Bank Facilities – Foreign Bill Discounting	Short Term	2.50	IVR A4+	-	-	-
5.	Short Term Bank Facilities – Letter of Credit	Short Term	2.50	IVR A4+	-	-	-
6.	Short Term Bank Facilities – Bank Guarantee	Short Term	1.00	IVR A4+	-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities –Term Loan	May, 2017	12.70%	Dec,2024	2.00 (outstanding)	IVR BB+ / Stable Outlook
Long Term Bank Facilities – Cash Credit	-	12.55%	On demand	7.00	IVR BB+ / Stable Outlook
Short Term Bank Facilities – Packing Credit	-	5.40%	120 days	6.00	IVR A4+
Short Term Bank Facilities – Foreign Bill Discounting	-	5.40%	180 days	2.50	IVR A4+
Short Term Bank Facilities – Letter of Credit	-	-	90 days	2.50	IVR A4+
Short Term Bank Facilities – Bank Guarantee	-	-	One year	1.00	IVR A4+