Press Release

Brickwork Ratings assigns 'BWR BBB-' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 38.43 Cr of ALP Nishikawa Co. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Loan Facilities of ALP Nishikawa Co. Ltd *(ANCO).*

Facility	Amount (₹ Cr)	Tenure	Rating
Cash Credit Limit **(Fund Based)**	19.00	Long Term	**BWR BBB-** (BWR Triple B Minus) **Outlook: Stable**
Term Loan	10.45		
Non Fund Based Limit	8.98	Short Term	**BWR A3** (BWR A Three)
Total	**38.43 (INR Thirty Eight Crores & Forty Three Lakhs only)**		

BWR has principally relied upon the audited financial results up to FY13, and projected financials for FY14 & FY15 of ALP Nishikawa Co. Ltd., publicly available information and information/clarification provided by the Company's management.

The rating has factored in the experience and reputation of the JV partners; established brand 'ALP'; well reputed customer base; growing revenues, margins and operations; healthy capital structure and good debt protection metrics. The rating, however, is constrained by delayed pass through of the hikes in the raw material prices; on going decline in the automobile sector and prevalence of competition in the industry.

Background:

ANCO was incorporated as –Anand Lescuyer Polymers Private Limited in 1983 for the manufacture of weatherstrips. In 1996, the company entered into a joint venture with Nishikawa Rubber Co. Limited, Japan (Nishikawa). Nishikawa was a minority partner initially and in November 2011 it increased its stake to 50%in the Company. ANCO is one of India's leading manufacturer of EPDM and PVC sealing products. ANCO sells its products under the brand name 'ALP'. ANCO has two Plants; one in Lalru, Punjab and the other one in Gurgaon. The current installed production capacity is 424 lakh meter per annum and the utilization for FY13 is 335 lakh mt per annum (79%). ANCO has its own Design & Development labs where currently 45 people are working.

Nishikawa Rubber Co. Ltd. is a Japan-based company engaged in the manufacture and sale of rubber based automobile parts and industrial materials. It is one of the largest companies in the world operating in Rubber Industry.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Business & Operations Overview:

ANCO is associated in the manufacture of EPDM and PVC rubber seals. The major raw materials are EPDM, Process Oils (Domestic), Carbon Black (Domestic) and some Chemicals which are majorly sourced from Japan, China, Vietnam, Germany and Netherlands. Today, ANCO is the one of the largest supplier to OEMs like Maruti Suzuki, Nissan, Mahindra & Mahindra, Renault and Tata Motors. ANCO brands itself on three parameters i.e., Quality, Cost and Delivery. The orders from the customers have seen an upward trend over the past few years and are expected to continue in the same way in the future.

Financial Highlights:

As per the audited statements for FY13, ANCO recorded Net Revenues of Rs.187.08 Cr. The revenues have grown at a CAGR of 23% over the past three years and are expected to grow at a rate of 9% in the future with growth in the revenue of FY13 over that of FY12 being 30%. The Net Profit Margin is 3.23% for FY13. The Tangible Net Worth stands at Rs.44.77 Cr and Debt-to-Equity is 0.45 times for FY13. The Current ratio for FY13 is 1.27.

ANCO expects the revenue to be Rs.203.71 Cr in FY14 with a net margin of 5.68%. In the first quarter of FY14, ANCO has recorded revenue of Rs.40.34 Cr.

Rating Outlook:

Going forward, the ability of the Company to further diversify its customer base while surviving the increasing competition and fully pass through the volatility in raw material prices to the customers would be the key rating sensitivities. Given the experience of the promoters and improved preformance of ANCO the outlook is expected to be stable over the current year.

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