

RATING RATIONALE

19 Nov 2019

Allena Auto Industries Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 42.80 Crores of Allena Auto Industries Pvt. Ltd.

Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based	28.61	42.00	Long Term	BWR BBB- (Stable) Rating Not Reviewed	BWR BBB- (Stable) (Reaffirmed)
Non-fund Based	0.80	0.80	Short Term	BWR A3 Rating Not Reviewed	BWR A3 (Reaffirmed)
Total	29.41	42.80	INR Forty Two Crores & Eighty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

RATING ACTION / OUTLOOK

While reaffirming the ratings of Allena Auto Industries Pvt Ltd. (AAIPL or ‘the company’), BWR has factored in the long standing operational track record supplemented by the extensive experience of its directors in the auto component manufacturing industry. The company has maintained its financial risk profile in FY19 indicated by comfortable debt coverage metrics (ISCR & DSCR of 2.96x & 1.78x), moderate overall leverage of 1.98x and gearing of 1.73x in FY19. The company’s revenues increased by ~24.5% in FY19 in the backdrop of investments made by the company in procuring new plant & machinery. The ratings, however, remain constrained by the weak sectoral outlook in the automotive sector as evident from falling revenues of most of the auto & auto component manufacturers in FY20. Going by the present trend, the company’s revenues are expected to dip by ~ 10% in FY20. Also, the company’s customer concentration is high with sales to Maruti Suzuki India Ltd. comprising ~40% of its revenue in FY19.

OUTLOOK: STABLE

BWR believes that the business risk profile of **Allena Auto Industries Pvt. Ltd.** will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term.

The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced & resourceful promoters:** With the third generation of Thapar family in the business, AAIPL benefits from the wide experience of over four decades of its directors in stakeholder management. The company was established in 1976 with a single plant in Delhi. It then expanded to two other manufacturing units in Mohali, Punjab. The company is now expanding its geographical presence by setting up a machining plant in Indore, M.P, to cater to its clients in Gujarat & Maharashtra area.
- **Moderate growth in revenues and profits with maintained financial risk profile in FY19:** AAIPL registered a 24.5% growth in its revenues, as the net sales increased from Rs 119.28 Crs (FY18) to Rs 155.12 Crs in FY19. While OPM reduced marginally from 10.07% to 9.85%. net margins remained flat at 3.42% in FY19. The promoters had introduced Rs 17.77 Crs of long term unsecured loans in the company to fund the procurement of non-current assets. The adjusted gearing of the company stood low at 0.74x in FY19 while debt coverage metrics stood comfortable, although moderately lower than ISCR & DSCR in FY18.

Credit Risks:

- **Weak Sectoral Outlook:** The achievement of projected revenues of Rs 170 Crs in FY20 by AAIPL seems unlikely amidst the overall downturn in the automotive sector due to weak demand. The company's revenues for 1HFY20 (Prov.) stood at Rs 68 Crs which is ~43% of the FY19's full year revenues of Rs 155 Crs. However, the debt repayment capacity of the company is likely to remain strong due to low maturing debt of Rs 2.87 Crs viz a viz the expected internal accruals of Rs 15-18 Crs, provided the company does not raise any large debt.
- **Volatile raw material prices:** The profitability of the auto component manufacturers is expected to dip in FY20 in line with that of the major auto companies. Any adverse movement in prices of the steel products may further deteriorate the margins due to the limited pricing flexibility of the market players.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The ratings of Allena Auto Industries Pvt. Ltd. are arrived at on a standalone basis after independent evaluation of its financial risk profile. For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating criteria detailed below (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Positive: The ratings may be upgraded if the company's revenues and profits grow by over 20%, alongwith improvement in debt protection metrics with ISCR>3.5x and DSCR>2x. The company must



also maintain its gearing at or below the present levels along with other favorable factors, to support a rating upgrade.

Negative: The ratings may be downgraded if the revenue and profit of the company reduces by >20% & >50% each and DSCR & ISCR deteriorates to less than 1.2x & 1.5x respectively.

LIQUIDITY POSITION: ADEQUATE

Adequate liquidity indicated by moderate utilisation of CC limits (around 80%), sustained cash conversion cycle (71-78 days) for the last three consecutive years, cash & cash equivalents of Rs 1.80 Crs, comfortable ISCR & DSCR of the company indicating healthy cash accruals viz a viz its debt repayments in FY19. However, the company's current ratio stood below average at 1.12x mainly because of large investments made by the company in non current assets.

COMPANY PROFILE

Allena Auto Industries Pvt.Ltd, is an Original Component Manufacturer catering to the requirements of major automobile manufacturers such as Tata Motors Ltd, Maruti Suzuki India Ltd, Simpson & Co. Ltd, ISUZU, TBVC, Subros Ltd, Lucas TVS Ltd etc. The company commenced its business in the year 1976 in Wazirpur Industrial Area, Delhi. Since then it has expanded its operations and set up two more plants including their corporate office in Mohali, Punjab. The operations of the company are managed by the members of Thapar family. The family has been in this business for more than 4 decades now.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Income	Rs Crore	155.12	119.28
OPBDIT	Rs Crore	17.98	15.28
PAT	Rs Crore	5.30	4.07
Tangible Net worth (TNW)	Rs Crore	31.32	25.83
Total Debt/TNW	Times	1.73	1.75
Current Ratio	Times	1.12	1.14

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY

RATING HISTORY

Instrument / Facilities	Current Rating			Rating History			
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	16 Sept 2019	14 Sept 2018	2017	2016
Fund Based	Long Term	42.00	BWR BBB- (Stable)	Rating Not Reviewed	BWR BBB- (Stable)	NA	NA
Non-fund Based	Short Term	0.80	BWR A3		BWR A3	NA	NA
Total		42.80	INR Forty Two Crores & Eighty Lakhs Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria, obtain hyperlink from our website

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Allena Auto Industries Pvt. Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	HDFC Bank	Cash Credit (Hyp)	27.00	-	27.00
2		WCDL	(10.00)		(10.00)
3		Term Loans	15.00		15.00
4		LC		0.50	0.50
5		BG		0.30	0.30
TOTAL			42.00	0.80	42.80

Total Rupees 42.80 Crores only.

For print and digital media

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DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.