

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹ 33.80 Crores of Allena Auto Industries Pvt. Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2021)	Present
Fund Based					
Cash Credit (Hyp)	27.00	27.00	Long Term	BWR BB (Downgraded) “Issuer Not Cooperating”	BWR BBB- Stable (Upgraded)
WC DL	(10.00)	(10.00)			
Term Loans	6.00	6.00			
Non Fund Based					
Bank Guarantee	0.30	0.30	Short Term	BWR A4 (Downgraded) “Issuer Not Cooperating”	BWR A3 (Upgraded)
LC	0.50	0.50			
Total	33.80	33.80	INR Thirty three crores and eighty lakhs only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR upgrades the long term rating as BWR BBB- with “Stable” Outlook and short term rating as BWR A3 for the bank loan facilities of Allena Auto Industries Pvt. Ltd.

The rating draws strength from the rich experience of the management of the company and moderate financial risk profile. However, the rating is constrained on account of competition in the industry and vulnerability of profitability margins.

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 there is significant improvement in revenues and profit margins of the company going forward. The rating outlook may be revised to “Negative” if there is any deterioration in the financial risk profile including liquidity of the company.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Management:** The management of the company consists of members of Chandigarh based Thapar family. This is the third generation of the family steering the company forward. All directors are highly educated and resourceful. The company has employed professionally qualified people to take care of various verticals of the business. The directors have over four decades of experience in the same line of business.
- **Moderate Financial Profile:** Though, total operating income has decreased from Rs.155.05crs in FY19 to Rs.143.89crs in FY20 which indicates a decline of 7.20%, TNW has increased from Rs.31.32crs in FY19 to Rs.31.57crs in FY20 (Analyzed TNW has increased from Rs.49.09crs in FY19 to Rs.50.21crs in FY20). Debt Equity Ratio is low at 1.98x in FY20 improving the gearing of the company. Operating & Net Profit Margin is reported at 6.58% and 0.56% in FY20 respectively. ISCR & DSCR are moderate at 1.79x and 1.08x in FY20 respectively. Conversion cycle is stable at 71 days in FY20 as compared with previous year. Current ratio stood at 1.07x in FY20.

Credit risks:

- **Competition in the industry:** The scale of the business is small and the company has limited pricing power for its products. Also, it is not able to leverage the economies of scale while some of the bigger players have this advantage. Due to low entry barriers, automotive segment is highly fragmented and competitive due to the presence of various small players. Most of the manufacturers offer similar products with little difference which competes with each other resulting in lower margins for most of the players.
- **Vulnerability of profitability margins:** Company's profitability is highly susceptible by the movement in the prices of steel, as casting iron & steel forms the major part of operating expenditure. Furthermore, any unprecedented increase in the raw material prices might adversely impact company's profitability margins.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

Going forward, the ability of the firm to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in revenues and profit margins of the firm, or on account of any other favorable factor.

Negative: Rating may be downgraded in case there is deterioration in financial risk profile of the firm including the liquidity of the company or on account of any unforeseen unfavorable events.

LIQUIDITY POSITION (Adequate)

The company had cash and cash equivalent balance of Rs.4.47crs in FY20. CPLTD of Rs.5.20crs is reported in FY20 against net cash accruals of Rs.5.99crs. Overall Average utilization of CC limit is around 68.03% during Sept 2020 - Feb 2021. Current ratio stood at 1.07x in FY20.

Holding/Subsidiary Company: NA

COMPANY PROFILE

Allena Auto Industries Pvt.Ltd is the 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 1976 in Wazirpur Industrial Area, Delhi. Since then it has expanded its operations and set up three more plants including their corporate office in Mohali, Punjab. The operations of the company are managed by the members of the Thapar family. The family has been in this business for more than 4 decades now.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Total Operating Income	Crores	155.05	143.89
EBITDA	Crores	15.28	9.47
PAT	Crores	5.30	0.80
Tangible Net worth	Crores	31.32	31.57
Total Debt/TNW	Times	1.73	1.98
Current Ratio	Times	1.12	1.07

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY (FOR THE LAST THREE YEARS INCLUDING WITHDRAWALS AND SUSPENDED)

Instrument / Facilities	Current Rating (2021)			Rating History			
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	12 Feb, 2021	2020	19 Nov, 2019	14 Sept, 2018
Fund Based Cash Credit(Hyp) WCDL Term Loans	Long Term	27.00 (10.00) 6.00	BWR BBB- Stable (Upgraded)	BWR BB (Downgraded) “Issuer Not Cooperating”	-	BWR BBB- (Stable) (Reaffirmed)	BWR BBB- (Stable) Assigned
Non Fund Based Bank Guarantee LC	Short Term	0.30 0.50	BWR A3 (Upgraded)	BWR A4 (Downgraded) “Issuer Not Cooperating”	-	BWR A3 (Reaffirmed)	BWR A3 Assigned
Total	33.80		INR Thirty three crores and eighty lakhs only				

COMPLEXITY LEVELS OF THE INSTRUMENTS

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to info@brickworkratings.com.

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to financial ratios](#)
- [Manufacturing Companies](#)

Analytical Contacts	
Kartik Ruia Junior Rating Analyst kartik.r@brickworkrating.com	Rajender Kumar Sharma Principal Director -Ratings B : +91 11 2341 2232 rksharma@brickworkratings.com
1-860-425-2742 media@brickworkratings.com	

Allena Auto Industries Pvt. Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Fund Based			
	Cash Credit (Hyp)	27.00	--	27.00
	WCDL	(10.00)		(10.00)
	Term Loans	6.00		6.00
2.	Non Fund Based			
	Bank Guarantee	--	0.30	0.30
	LC		0.50	0.50
TOTAL				33.80

Total Rupees Thirty three crores and eighty lakhs only

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