



Rating Rationale

Allena Auto Industries Pvt Ltd.

14 Sep 2018

Brickwork Ratings assigns the rating for Bank Loan Facilities amounting to Rs. 29.41 Crs of Allena Auto Industries Pvt Ltd.

Particulars:

Facility	Amount Rated (Rs. in Crs)	Tenure	Rating
Fund Based Cash Credit Term Loans	22.00 6.61	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable
Non Fund Based Letter of Credit Bank Guarantee	0.50 0.30	Short Term	BWR A3 (Pronounced as BWR A Three)
Total	29.41 (INR Twenty Nine Crores & Forty One Lacs Only)		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of Allena Auto industries Pvt Ltd.(AAIPL) up to FY17, Provisional Financials for FY18, publicly available information and information/ Clarifications provided by the company.

The rating derives strength from extensive experience of AAIPL's directors in the auto component manufacturing industry, company's moderate financial risk profile indicated by comfortable gearing, healthy debt protection metrics and growing profitability margins. The rating is further supported by the diverse product range manufactured by AAIPL, its competitive market positioning because of the

complexities of products manufactured through modern machines and its established relationship as a direct supplier to auto OEMs of brands such as Maruti Suzuki India Ltd.(MSIL) & TATA Motors

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Limited. The rating is however, constrained by the susceptibility of company's margins to volatile prices of steel and high dependence of the company's business on auto OEMs, majorly from MSIL.

Going forward, the AAIPL's ability to consistently increase its revenues, successfully deliver on its CAPEX plans without much deterioration in the capital structure, improve its profitability margins & other key financial metrics from the existing levels would be the key rating sensitivities.

Key Rating Drivers

Credit Strengths:

- **Extensive experience of the directors:** The directors are steering the operations of the company since 1973 and have established direct business relationships with renowned auto companies such as MSIL & TML since 1986.
- **Healthy financial risk profile:** AAIPL's Interest coverage and Debt service coverage ratios improved from 3.20 times & 1.44 times in FY17 to 3.39 times and 1.63 times respectively for fiscal 2018 (Prov.). TOL:TNW ratio stood at 1.58 times in FY17 and 2.07 times in FY18(Prov.).
- **Growth in Revenues & Profitability Margins :** AAIPL's Operating and Net Profit margins were 9.66% and 2.78 % respectively as on 31.03.2017. The company also registered a moderate growth of around 19% in FY18(Prov.) backed by the addition of new orders for making flywheels from MSIL.
- **Short & contained Cash Conversion cycle for last three years:** AAIPL has effectively managed its cash conversion cycle which is averaging around 70-75 days for three consecutive years.

Credit Concerns:

- **Vulnerability of profitability margins to volatile prices of steel:** AAIPL's raw material consumption is around 60% of its total operating income. Any adverse change in the steel and casting iron prices can impact the profitability of the company.
- **Revenue concentration & high dependence on the OEMs for business:** Company's major source of revenue is from MSIL which constitutes more than 50% of its order book. However, the relationship is long enough (since 1986) to ensure revenue visibility for AAIPL in short to medium term. Also, the company's growth depends on the overall performance of the automobile companies and OEMs to a large extent.



About the Company

AAIPL was incorporated by Mr. Amrit Singh Thapar and his father in 1973. The company is Original Component Manufacturer and Supplier catering to the requirements of almost all the major Original Equipment Manufacturers engaged in the manufacturing of Cars, Trucks, Tractors, Diesel Engines, Jeeps, Earthmoving Equipments and LCV etc. for the companies such as Tata Motors Ltd, Maruti Suzuki India Ltd, Simpson & Co. Ltd, ISUZU, TBVC, Subros Ltd, Lucas TVS Ltd, Indo Farm Equipments, Bridgestone, FUKOKU etc. AAIPL manufactures automotive components such as water pump assemblies, oil filter assemblies, pulleys, etc. for its customers.

Rating Outlook: *Stable*

BWR believes that AAIPL's business risk profile 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, profit and financial risk profile show sustained improvement. The rating outlook may be revised to 'Negative' if these metrics are deteriorated significantly.

Financial Performance:

AAIPL booked total operating income of Rs 100.63 Crores in FY17 as against Rs. 97.62 Crores in FY16. PAT stood at Rs 2.79 Crores in FY17 as compared Rs 1.68 Crores in FY16. As per provisional financials for FY18, total Operating income stood at Rs 120.45 Crores whereas the PAT stood at Rs 4.13 Crores .

Parameters		FY 2017(A)	FY 2016(A)
Total Operating Income	Rs in Cr	100.63	97.32
OPBDIT	Rs in Cr	9.72	9.01
PAT	Rs in Cr	2.79	1.68
Tangible Net Worth	Rs in Cr	21.95	19.15
Total Debt/TNW	Times	1.66	2.14

Rating History for the last three years:

Rating in 2018				Rating History		
Facility	Amount Rated (Rs. in Crs)	Tenure	Rating	2017	2016	2015
Fund Based	28.61	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	NA	NA	NA
Non Fund Based	0.80	Short Term	BWR A3 (Pronounced as BWR A Three)			
Total	29.41 (INR Twenty Nine Crores & Forty One Lacs Only)					

Status of non-cooperation with previous CRA: CRISIL BB+/A4+ (Migrated from BBB-/A3 under Issuer Not Cooperating) in Dec, 2017.

Hyperlink/Reference to Applicable Criteria:

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

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Note on complexity levels of the rated instrument:

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

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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