

Rating Rationale

Brickwork Ratings assigns 'BWR BBB-' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 62.25 Cr of Auto Ignition Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Loan Facilities of Auto Ignition Ltd (AIL or the 'Company').

Facility	Limits (₹ Cr)	Tenure	Rating
Term Loans	8.25	Long Term	BWR BBB- (BWR Triple B Minus) Outlook : Stable
Cash Credit (Hypothecation of Stock/Book Debt)	20.00		
Bill Discounting/ FBP/FBD/PCFC/EPC (sublimit of CC)	(20.00)		
WCDL/CC/Usance Letter of Credit/Pre/Post Shipment Finance Under LCs/PO/Bill Discounting	16.00		
Invoice Finance M&M	9.50		
Invoice Finance TAFE	2.50		
WCDL	4.00		
SLC/Guarantee	2.00	Short Term	BWR A3 (BWR A Three)
Total	62.25*	(INR Sixty Two Crores and Twenty Five Lakhs only)	

**Details of Facilities are available in Annexure I*

BWR has principally relied upon the company's audited financial results upto FY13, projected financials upto FY15, publicly available information and information/clarifications provided by the company's management.

The ratings draw strength from the extensive experience of the promoters in the auto components and ancillaries business, long operational track record of the company, professional management team, strong and diverse product and customer profiles, established business relationships with leading Original Equipment Manufacturers (OEMs) and Tier 1 suppliers in

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

the domestic auto market and above average financial risk profile marked by comfortable gearing and moderate debt protection metrics. The rating is constrained by the vulnerability of performance to cyclicity associated with the automobile industry and consequent impact on the profitability parameters against the ongoing subdued demand scenario of this industry .

Background:

Auto Ignition Ltd (AIL), Delhi was promoted by Mr R K Sarine and his family in 1971 as Auto Ignition Pvt Ltd and later reconstituted as a public limited company in 1994. AIL is a manufacturer and exporter of heavy-duty auto electric components for commercial vehicles, tractors, off-road vehicles, stationary engines and two & three wheelers under the brand name AUTO-LEK. AIL's product range includes starter motors, alternators, solenoid switches, armatures, drives stators, rotors etc. AIL has its manufacturing facilities at Palwal, Haryana and at Rudrapur, Uttarakhand. During FY 2013, Auto Gallon Industries Pvt Ltd, a fully owned subsidiary of AIL, was amalgamated with AIL with effect from 1 April, 2012. The company has a R&D centre duly recognised by Department of Scientific and Industrial Research, Government of India. The company caters to about 20 original equipment manufacturers, 30 export customers, and 550 domestic replacement market customers. AIL's reputed customers include Mahindra & Mahindra Ltd, John Deere, Escorts, TAFE, Eicher, Koel, Tata Motors, Ashok Leyland and ACE Tractors.

Management Profile:

Mr. Ishaan Sarine is the Managing Director of the company. The other directors are Mr T C Bansal – Director-Finance, Mr Jagjit Singh, Mr Yogesh Choudhary and Mrs Shukla Sarine. The directors and the second tier management are well experienced professionals.

Financial Performance:

During FY 13, the Gross sales of AIL registered a 10% decline to ₹ 180.30 Crs from ₹ 200.51 Crs in FY12. Net profit of the Company in FY13 was ₹ 6.45 Crs as against ₹ 6.50 Crs in FY12. Debt equity ratio has improved to 0.47X in 2013 compared to 0.58X in FY12. Tangible net worth as on 31st March 2013 was ₹ 70.50 Crs as against ₹ 66.55 Crs in FY12. Current ratio was moderate at 1.28X in FY13. On a provisional basis, AIL has achieved Rs 111 Cr approx. for H1FY14 and expects to achieve ₹ 230 Cr approx. for FY14.

Rating Outlook

The outlook is expected to be stable over the current year. The ability of the company to ramp up its performance in the muted market, improve its margins in the intensely competitive and

turbulent market scenario, sustain/improve its overall financial risk profile and efficiently manage its working capital requirements in the challenging operating environment will be the key rating sensitivities.

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