

Press Release

Aditya Auto Industries

December 18, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Fund Based Facility – Term Loan	11.18	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Long Term Fund Based Facility – Cash Credit	8.80	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
	Total	19.98	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from long track record of operations, established relations with reputed clients and comfortable debt protection metrics, however operating income remains moderate. However, the rating strengths are partially offset by working capital intensive operations, high customer concentration risk and competitive & fragmented industry.

Key Rating Sensitivities:

- **Upward Factor**
 - Significant improvement in scale of operation while improving/maintaining profitability and debt protection metrics.
- **Downward Factor**
 - Significant fall in scale of operation
 - Deterioration in working capital cycle.

List of key rating drivers with detailed description

Key Rating Strengths

- **Long track-record of operations:**

Aditya Auto Industries (AAI) continues to benefit from its long operational track record & experienced management. The firm is operating since 2003. The firm has a team of experienced and capable professionals to look after the overall management. The day-to-day operations of

the company are looked after by Proprietress' husband Mr. Sanjay Rajput, who has extensive experience for more than two decades in the industry

- ***Established relations with reputed clients:***

The firm clientele includes reputed electronic & appliances conglomerate. AAI shares an established relationship of around 15 years with them and is able to garner significant repeat business from them each year.

- ***Comfortable debt protection metrics, however operating income remains moderate***

The revenues of the firm remains moderate at Rs. 45.38 crore in FY19, while its operating margins remains in the range of 12.89%-9.47% in the last three years ended FY19. The scheduled repayment of term loans led to comfortable debt protection metrics. The interest coverage ratio and DSCR both stood comfortable at 2.08x in FY19.

Key Rating Weakness

- ***Working capital intensive operations:***

Owing to the nature of business in which the firm operates, the process from manufacturing to delivering the product is elongated. Until, the final approval is received from the client, the product is shown as Work in progress. This is marked by high average inventory holding period of 184 days in FY19 compared to 154 days in FY18. Also, the average cash credit utilisation for the last 12 months was elevated at around ~94%.

- ***High customer concentration risk:***

The company's sales remain concentrated to one customer, who accounted for ~60% of the overall revenues in FY19 (~62% in FY18), thereby exposing it to high customer concentration risk. However, AAI has business relations for almost 15 years now with them, which insulated the risk to an extent.

- ***Competitive & Fragmented industry:***

The Firm's operations are characterised by intense competition owing to relatively low technical expertise and capital requirements. It faces competition from large organised

manufacturers as well as from smaller organised players in the domestic markets. Further, the operations also remain vulnerable to the demand indicators in the consumer durables market in India.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The firm's operations are relatively high working capital intensive as marked by Gross Current Assets (GCA) of 322 days in FY2019. This has led to high reliance on working capital borrowings with average fund based limit utilisation at ~94 percent during the last 12-month period ended November 2019.

About the Company/Firm

Aditya Auto Industries (AAI) based in Greater Noida (Uttar Pradesh) is a proprietorship concern established in the year 2003. The firm is engaged into manufacturing of sheet metal fabricated components & injection moulding for leading consumer and original equipment manufacturers for almost 17 years now. Proprietress of the Firm is Mrs. Neetu Rajput

Financials

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	47.74	45.38
EBITDA	5.06	4.30
PAT	1.32	1.19
Total Debt	23.71	20.79
Tangible Net worth	10.46	11.23
EBITDA Margin (%)	10.61	9.47
PAT Margin (%)	2.76	2.62
Overall Gearing Ratio (x)	2.27	1.85

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Acuite has moved the rating of Aditya Auto Industries into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated April 25, 2019.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Facility – Term Loan	Long Term	11.18	IVR BB+/ Stable outlook	--	--	--
2.	Long Term Fund Based Facility – Cash Credit	Long Term	8.80	IVR BB+/ Stable outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loan	--	--	July 2021 - May 2028	11.18	IVR BB+/ Stable outlook
Long Term Fund Based Facility – Cash Credit	--	--	--	8.80	IVR BB+/ Stable outlook