



## Press Release

**Aequus Private Limited**

**March 28, 2023**

### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	<b>25.00</b>	IVR BBB- / Negative Outlook [IVR Triple B minus with Negative Outlook]	Assigned	Simple
<b>Total</b>	<b>Rs.25.00 Crore (Rupees Twenty-Five Crore Only)</b>			

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The rating assigned to the bank facilities of Aequus Private Limited derives its strength from financial flexibility and strong promoter support, established relationships, strong order book position and long-term supply agreements with renowned customers expected to drive revenue growth, vertically integrated product solutions across diversified contract manufacturing. The rating is however constrained on account of continued weak debt coverage metrics and working capital intensive operations. Negative Outlook is on account of weak debt protection metrics and accumulated losses over the years.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained and significant improvement in revenue and profitability
- Improvement in the capital structure with improvement in TOL/TNW and sustained improvement in debt protection metrics
- Improvement in liquidity



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### **Downward Factors**

- Significant decline in revenue & profitability leading to deterioration in debt protection metrics with interest coverage.
- Deterioration in liquidity

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Financial flexibility and strong promoter support:**

APL enjoys healthy financial flexibility on account of continued promoter support; the company had received significant equity infusion over the years from its promoters. The founder, Chairman and CEO Mr. Aravind Melligeri is a career entrepreneur and have been co-founder of QuEST Global Engineering in 1997, which is today one of the largest growing engineering services companies globally.

The company is also in talks with few private equity investors towards infusion of fresh equity and plans to use the proceeds from the fund raise to scale operations and other general business purposes.

##### **Established relationships, strong order book position and long-term supply agreements with renowned customers expected to drive revenue growth:**

The company has long standing established relationships with renowned customers in the Aerospace division and has strong order book position coupled with long term supply agreements. Further, the company has also diversified its revenue stream to other business segments namely, Toys and Consumer Durables division, wherein the company has already entered into long term supply agreements with marquee and globally reputed players. The diversity in the revenues from different SBUs and clientele coupled with strong order book position is expected to fuel the revenue growth in the projected years.



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### **Vertically integrated product solutions across diversified contract manufacturing:**

The company has built a strong ecosystem with vertically integrated product solutions including precision machining, sheet metal fabrication, assembling, forging, surface treatment, and reliable supply chain partners. The company has developed a diversified product portfolio of products across all its SBUs namely Aerospace, Toys and Consumer Durables to deliver an end-to-end manufacturing value stream to its global customers. Further, the company's facilities in USA and France complement the India operations in delivering to customers' requirements more effectively.

### **Key Rating Weaknesses**

#### **Continued weak debt coverage metrics:**

The company's financial profile continues to be characterized by weak debt protection metrics and coverage indicators. However, the financial profile is projected to improve with expected increase in the revenues driven by confirmed order book position across diversified customer base.

#### **Working capital intensive operations:**

The company's business is highly working capital intensive as reflected by high gross current assets of 197 days in FY22 on account of high inventory holding (especially the imported component) and its need to maintain multiple SKUs. The working capital intensity is expected to remain high in projected years.

#### **Analytical Approach:** Consolidated Approach

For arriving at the ratings, Infomerics has considered the consolidated financials of the company including all its subsidiary companies considering the same promoters and management and strong operational and financial linkage.

#### **Applicable Criteria:**

[Criteria for assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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### Liquidity – Stretched

The company's liquidity position is stretched with negative cash flow from operating activities in FY22, net losses and average working capital utilisation exceeding 81% during the 12-month period ending Aug. 2022. The current ratio stood below unity at 0.89x in FY22.

### About the Company

Aequus Private Limited is a diversified contract manufacturing company. It operates manufacturing facilities in India, France, and the United States. The company is vertically integrated product solutions for aerospace, toys & consumer durables industries. Its operations began in 2009 and specializes in precision machining for AeroSystems, Aerostructures, landing gear and engine components, sheet metal fabrication, forging, surface treatment, aerostructure assembly and testing and prototyping of components. Further the company has setup First Toy Manufacturing Cluster- Koppal Toy Cluster spread over 400 acres, the campus is designed to house an entire toy manufacturing ecosystem. Also, company began operations in 2020 as contract manufacturer of consumer durable goods, offers capabilities that address the entire manufacturing value chain including design, development, and production. It also provides integrated warehousing and logistics services for domestic and global manufacturers.

### Financials (Consolidated)\*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	401.50	529.10
EBITDA	(25.70)	13.30
PAT	(81.10)	(102.90)
Total Debt	286.50	300.70
Adj. Tangible Net worth	118.10	167.20
EBITDA Margin (%)	-6.40	2.51
PAT Margin (%)	-18.75	-19.12
Overall Gearing Ratio (times)	2.42	1.72

\*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: None



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### Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based	Long Term	25.00	IVR BBB- / Negative Outlook	–	–	–

### Name and Contact Details of the Rating Analyst:

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com)



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**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by 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 – Cash Credit	–	–	Repayable on Demand	25.00	IVR BBB- / Negative Outlook

### Annexure 2: List of companies considered for consolidated analysis:

Extent of consolidation: Full

Name of the entity	Place of business	Ownership interest held by the Group	
		As at March 31, 2022	As at March 31, 2021
Aequs Aerospace BV (AABV)	Netherlands	100%	100%
Aequs Aerospace LLC (AALLC)	USA	100%	100%
Aequs Aero Machine Inc. (AAM)	USA	100%	100%
Aequs Oil and Gas LLC (AOGLLC)	USA	95%	95%
Aerospace Manufacturing Holdings Private Limited ('AMHPL', Formerly Known as Aequs Aerospace Private Limited)	India	100%	100%
AeroStructures Manufacturing India Private Limited (ASMIPL)	India	100%	100%
Aequs Holdings France, SAS (AHSAS)	France	100%	100%
Aequs Aerospace France SAS (formerly SIRA SAS, France) (AAF SAS)	France	100%	100%
Bernar SAS (Bernar)	France	100%	100%
Aequs Aerospace Cholet (Refer note below)	France	NA	100%
SCI Du Champ De Pivoines	France	100%	100%
Aequs Force Consumer Products Pvt. Ltd. (AFCPPL)	India	59%	0%
Aequs Force Technology Private limited (India)	India	59%	0%
Aequs Force Technology Company limited (HK)	Hong Kong	59%	0%
Aequs Engineered Plastics Private Limited (AEPPL)	India	100%	0%
Aequs Toys Hong Kong Private Ltd.(ATHPL)	Hong Kong	100%	0%
Aequs Consumer Products Private Limited (ACPPL)	India	100%	0%
Aequs Home Appliances Private Limitec (AHAPL)	India	100%	0%
Aequs Toys private limited (ATPL)	India	100%	0%
Koppal Toys Moulding COE Private Limited (KTMCPPL)	India	100%	0%
Koppal Toys Tooling COE Private Limited (KTTCPPL)	India	100%	0%
Aerostructures Assemblies India Private Limited (AAIPL)	India	100%	0%





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**Annexure 3: Facility wise lender details - [Len-Aequs-mar23.pdf \(infomerics.com\)](#)**

**Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities: Not Applicable**

**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](http://www.infomerics.com)