



Press Release

AeroStructures Manufacturing India Private Limited

June 22, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	180.52	IVR BBB- / Negative Outlook (IVR Triple B Minus with Negative Outlook)	Assigned	Simple
Short Term Bank Facilities	2.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	182.52			Simple

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of AeroStructures Manufacturing India Private Limited derives its strength from financial flexibility and strong promoter support, established relationships and strong order book position and long-term supply agreements with renowned customers expected to drive revenue growth. The rating is however constrained by Continued weak debt coverage metrics and Working capital intensive operation. 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:

ASMIPL enjoys healthy financial flexibility on account of continued support from Aequus Private Limited (Parent Company) and the promoters; the company had received significant equity infusion over the years from its promoters to support development of capacities and capabilities. 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. Also, Amicus Capital and existing investors have invested \$ 27.5 million (Rs. 225 crore) in Aequus Pvt Ltd.

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. Aerospace division has an order-book of Rs. 4,621.70 crores providing healthy revenue visibility over the next 5 years. Such orders pertain to reputed clientele like Collins Group, Airbus Group, Safran Group and Boeing Group.

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 the expected increase in the revenues driven by confirmed order book position across diversified customer base.

Working capital intensive operations:



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The company's business is highly working capital intensive as reflected by high gross current assets of 221 days in FY23 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: Standalone Approach

Applicable Criteria:

- [Parent and Group Support](#)
- [Rating Methodology for Manufacturing Companies](#)
- [Financial Ratios & Interpretation \(Non-Financial Sector\)](#)
- [Criteria of Rating Outlook | Infomerics Ratings](#)

Liquidity – Stretched

The company's liquidity position is stretched with current ratio stood below unity at 0.96x in FY23 Prov. The average working capital utilisation stood above 80% during the 12-month period ending Feb-2023 providing it limited headroom.

About the Company:

Aerostructures Manufacturing India Private Limited predominantly manufactures various structural & landing gear component for aircrafts. The company is diversified contract manufacturing company. It operates manufacturing facilities in India, France, and the United States.

Financials (Standalone):

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	249.00	361.10
EBITDA	41.10	60.80
PAT	-9.70	0.30
Total Debt	150.80	164.50
Tangible Net worth	136.00	139.40
EBITDA Margin (%)	16.51	16.84
PAT Margin (%)	-3.78	0.08
Overall Gearing Ratio (times)	1.11	1.18

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None



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Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		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.	Term Loan	Long-term	37.52	IVR BBB-/ Negative	-	-	-
2.	Cash Credit	Long-term	143.00	IVR BBB-/ Negative	-	-	-
3.	Letter of Credit	Short-term	2.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loan	-	-	March 31, 2024	1.70	IVR BBB-/ Negative Outlook
Term loan	-	-	March 31, 2026	2.33	IVR BBB-/ Negative Outlook
Term loan	-	-	March 31, 2026	12.45	IVR BBB-/ Negative Outlook
Term loan	-	-	March 31, 2026	8.45	IVR BBB-/ Negative Outlook
Term loan	-	-	March 31, 2027	12.59	IVR BBB-/ Negative Outlook
Cash Credit	-	-	Revolving	70.00	IVR BBB-/ Negative Outlook
Cash Credit	-	-	Revolving	73.00	IVR BBB-/ Negative Outlook
Letter of Credit	-	-	-	1.00	IVR A3
Bank Guarantee	-	-	-	1.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Aerostructures-jun23.pdf>

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