



Press Release

Aerospace Processing 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	13.14	IVR BBB- / Negative Outlook (IVR Triple B Minus with Negative Outlook)	Assigned	Simple
Total	13.14			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Aerospace Processing India Private Limited derives strengths 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 and Moderate financial risk profile. The rating is however constrained on account of working capital-intensive operations and customer concentration risk. Negative Outlook is on account of moderate debt protection metrics.

Key Rating Sensitivities:

Upward Factors

- Sustained and significant improvement in revenue and profitability.
- Improvement in the capital structure and sustained improvement in debt protection metrics.

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



Press Release

Key Rating Strengths

Financial flexibility and strong promoter support:

Aerospace Processing India Pvt Ltd, is a 50:50 joint venture between Aequs Private Limited and Magellan Aerospace, Canada/UK a global player providing complex assemblies and systems solutions to aircraft and engine manufacturers, and defense and space agencies. APIPL enjoys healthy financial flexibility on account of continued support from Aequs Private Limited (JV partner company) and the promoters; the company had received 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.

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. The company derives business synergies by virtue of being a part of the Aequs Group. 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.

Moderate financial risk profile

The company is a contract manufacturer and derives its revenues from Surface treatment solutions approved by Airbus and Boeing. The total operating income has been growing over the past four years and in FY23 Prov., the total operating income increased by ~41% on a y-o-y basis to Rs. 40.76 Cr. as compared to Rs. 28.81 Cr. The profitability indicators have gradually improved over the years as indicated by EBIDTA margin at 23.50% in FY23 Prov. as against 23.20% in FY22 and PAT margin at 4.82% in FY23 Prov. as against 1.73% in FY22. The overall gearing ratio has improved on a sustained basis over the past three years and stood comfortable at 0.48x in FY23 as compared to 0.51x in FY22. The TOL/TNW marginally improved and stood at 1.26x in FY23 Prov. as against 1.31x in FY22. As supported by improved operating profits; the interest coverage ratio stood healthy at 3x in FY23 Prov. and DSCR at 1.86x.



Press Release

Key Rating Weaknesses

Working capital intensive operations:

The company's business is highly working capital intensive as reflected by high gross current assets of 126 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.

Customer concentration risk

The top five clientele includes the group companies thereby indicating a significant dependence on Group companies. The companies' ability to diversify its clientele is a key monitorable.

Analytical Approach: Standalone Approach

Applicable Criteria:

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

Liquidity –Adequate

The company's liquidity position is adequate with current ratio stood at 1.88x in FY23 Prov. The average working capital utilisation stood above 37% during the 12-month period ending Feb-2023 providing it adequate headroom.

About the Company:

Aerospace Processing India Private Limited was incorporated in 2007. It is a 50:50 JV between the Aequs Private Limited and Magellan Aerospace, Canada/ UK. The company is



Press Release

engaged in the business of surface treatment solutions approved by both Airbus and Boeing. APIPL operates from its facility at Aequus SEZ in Belgaum, Karnataka.

Financials (Standalone):

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	28.81	40.76
EBITDA	6.69	9.58
PAT	0.51	2.02
Total Debt	11.84	11.35
Tangible Net worth	23.37	23.64
EBITDA Margin (%)	23.20	23.50
PAT Margin (%)	1.73	4.82
Overall Gearing Ratio (times)	0.51	0.48

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

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	2.50	IVR BBB- / Negative Outlook	--	--	--
2.	Term loan	Long term	3.13	IVR BBB- / Negative Outlook	--	--	--
3.	Term loan	Long term	3.01	IVR BBB- / Negative Outlook	--	--	--
4.	Cash Credit	Long term	4.50	IVR BBB- / Negative Outlook	--	--	--

Name and Contact Details of the Rating Analyst:



Press Release

Name: Ms. Sejal Patil Tel: (022) 62396023 Email: sejal.patil@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
---	---

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

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
Term loan	-	-	March 31, 2027	2.50	IVR BBB- / Negative Outlook
Term loan	-	-	March 31, 2027	3.13	IVR BBB- / Negative Outlook
Term loan	-	-	March 31, 2027	3.01	IVR BBB- / Negative Outlook



Press Release

Cash Credit	-	-	Revolving	4.50	IVR BBB- / Negative Outlook
-------------	---	---	-----------	------	--------------------------------

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Aerospace-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