

**Rating Rationale**

Aditya Auto Engineering Pvt. Ltd.

2May2019

**Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹. 24.20 Crores of Aditya Auto Engineering Pvt. Ltd (AAEPL or The Company).**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2018)	Present
<b>Fund based</b> Cash Credit WCTL	12.50 --	15.00 5.95	<b>Long Term</b>	<b>BWR BB</b> (Pronounced as BWR Double B) <b>Outlook: Stable</b>	<b>BWR B+</b> (Pronounced as BWR Single B plus) <b>Outlook: Stable (Downgraded)</b>
<b>Non Fund Based</b> LC / BG	2.25	3.25	<b>Short Term</b>	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>BWR A4</b> (Pronounced as BWR A Four) (Reaffirmed)
<b>Total</b>	<b>14.75</b>	<b>24.20</b>	<b>INR Twenty Four Crores and Twenty Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings, Note: The provisional financials not certified by CA.

**Ratings: Long term rating downgraded and short term rating reaffirmed**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has primarily relied upon the audited financials up-to FY18, provisionals for FY19, and projections upto FY21 and publicly available information and the information/clarifications provided by the Company's management.

The down grade of the ratings has factored the liquidity stress presently the company is facing. The ratings factors inter alia, experience of promoters, track record of the company, reputed clientele base, and



improved revenue. However, the rating is constrained by, low net worth, thin profit margin, high gearing profile, increased cash conversion cycle, strained liquidity and stiff competition in the industry.

Going forward the ability of the company to increase the scale of operations, improve profit margins in an intensely competitive environment, utilization of working capital efficiently, timely repayment of debt obligations, complying with the terms and conditions of bank sanction would be the key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths

- **Experience of promoters and track record of the company** - Experience of all the promoters is more than three decades in the auto ancillary industry. The company was incorporated in 2009.
- **Relationship Clientele** - The company caters to reputed clients such as Ashok Leyland Ltd, Bharat Heavy Electricals Ltd, TATA Motors Ltd, HYVA India etc.
- **Increased revenues** - Revenues increased from Rs. 54.75 Crs in FY17 to Rs. 68.72 Crs in FY18.

#### Credit Risks:

- **Net worth and thin profit margin** - Tangible net worth of the company stood at Rs. 3.89 Crs and net profit margin reported at 0.73% in FY18.
- **High Gearing profile** - gearing stood at 5.68 times in FY18 as the total debt of the company increased from Rs. 17.68 Crs in FY17 to 22.06 Crs in FY18.
- **Higher conversion cycle and strained liquidity:** The cash conversion cycle increased from 183 days in FY17 to 200 days in FY18 due to increase in inventory days of 190 days in FY18 and strained liquidity is evidenced by current ratio of 1.10 x in FY18, however the utilization of working capital limits is 100%.
- **Intensely fragmented and competitive industry, exposure to cyclicality:** AAEPL operates in a highly competitive and fragmented industry with the presence of large number of unorganised players. Further, the company caters to the auto ancillary industry which is inherently cyclical in nature.

### Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### Rating Outlook: *Stable*

BWR believes the **Aditya Auto Engineering Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.



The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

Aditya Auto Engineering Pvt Ltd was incorporated in 2009. The company is involved in manufacturing of motor vehicle parts and vehicle bodies like tippers, trailers, lorries, cement carriers, granite carriers, water tankers etc for OEMs. Aditya Industries a sister concern, merged with AAEP in FY17. The company has also started manufacturing of Tippers, Bulkers, Load Bodies, Hoppers and Trailers : New Product introduced in Garbage Compactor which will be used for Waste Management Collection in all the Municipal Corporation (PAN India). The company is having geographical reach in 4 states namely Karnataka, Kerala, Tamil Nadu and Andhra Pradesh.

### Company Financial Performance

As per FY18 audited financials the Company has reported revenue of Rs. 68.72 Crs and PAT of Rs. 0.50 Crs in FY18.

### Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	6.3.2018	2017	29.12.2016
	<b>Fund Based</b>	Long Term	20.95	<b>BWR B+</b> (Pronounced as BWR Single B plus) Outlook:Stable (Downgraded)	<b>BWR BB</b> (Pronounced as BWR Double B) Outlook:Stable	<b>Not Rated</b>	<b>BWR BB</b> (Pronounced as BWR Double B) Outlook:Stable
	<b>Non Fund Based</b>	Short Term,	3.25	<b>BWR A4</b> (Pronounced as BWR A Four) (Reaffirmed)	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>Not Rated</b>	<b>BWR A4</b> (Pronounced as BWR A Four)
	<b>Total</b>		<b>24.20</b>	<b>₹ Twenty Four Crores and Twenty Lakhs Only</b>			

Status of non-cooperation with previous CRA - Nil

Any other information - Nil

### Key Financial Indicators

Key Parameters	Units	2016	2017	2018	2019	2020	2021
Result Type		Audited	Audited	Audited	Provisional	Projection	Projection
Operating Revenue	₹ in Crs	17.72	54.75	68.72	69.13	82.87	99.10
EBITDA	₹ in Crs	1.56	2.79	3.67	3.59	5.57	6.66
PAT	₹ in Crs	0.15	(0.32)	0.50	0.61	1.33	2.09
Tangible Net worth	₹ in Crs	3.86	3.54	3.89	7.66	8.99	11.07
Total Debt/Tangible Net worth	Times	2.92	4.99	5.68	3.09	2.41	1.86
Current Ratio	Times	1.20	1.15	1.10	1.31	1.42	1.38

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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