

Rating Rationale

Aditya Auto Engineering Pvt Ltd

6 Mar 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 14.75 Crores of Aditya Auto Engineering Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund based Cash Credit	7.30	12.50	Long Term	BWR BB Outlook: Stable (Pronounced as BWR Double B)	BWR BB Outlook: Stable (Pronounced as BWR Double B) (Reaffirmation)
Sub Limit_ODBD	-	(3.00)			
Sub Limit_BESE	-	(5.00)			
Non Fund Based Bills of Exchange	2.50	-			
Non Fund Based Bank Guarantee	1.25	0.75			
Non Fund Based LC	1.50	1.50	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) (Reaffirmation)
Total	12.55	14.75	INR Fourteen Crores and Seventy Five Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Brickwork Ratings (BWR) has reaffirmed the rating for Bank Loan Facilities of Rs. 14.75 Crs of Aditya Auto Engineering Pvt Ltd ('AAEPL' or 'the company').



Rationale/Description of Key Rating Drivers/Rating sensitivities :

BWR has essentially relied upon the audited financial results of the company up to FY17, projected financials up to FY18 and publicly available information and information/clarifications provided by the management. The rating has factored inter-alia, the promoters' experience and established track record of the company, upward trend in topline and reputed client base. However, the ratings are constrained by customer concentration risk, low net worth and working capital intensive nature of business. Going forward, the ability of the company to infuse equity capital and improving profit margins would be key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced management and moderate track record of operations:** The company was incorporated in 2009. The promoters possess experience of around three decades in the auto ancillary industry.
- **Improving scale of operations:** The company's scale of operations has improved marked by total operating income of Rs.54.75 Crs in FY17 as compared to Rs.17.72 Crs in FY16. The increase in revenue is on account of repeat orders from the customers.
- **Reputed clientele:** The company caters to reputed clients such as Ashok Leyland Ltd, Bharat Heavy Electricals Ltd, TATA Motors Ltd, HYVA India etc

Credit Risks:

- **Low profitability margin:** The company has reported EBITDA margin of 6.63% in FY17 as against 9.57% in the previous year. Further, the net profit (PAT) margin stood at -0.59 % in FY17 as against 0.85% in FY16.
- **Average financial risk profile:** The financial risk profile is average marked by low net worth of Rs.3.54 Crs as on 31 March, 2017 compared to Rs. 3.86 Crs in the previous year. The gearing increased to 4.99 times as on 31 March, 2017 up from 2.92 times as on 31 March, 2016 on account of increased short term borrowing. The net cash accruals in FY17 was at Rs. 0.52 Crs as against Rs. 0.29 Crs in FY16.
- **Working capital intensive operations, stretched liquidity:** The operations are working capital intensive marked by working capital cycle of 187 days in FY17 and 369 days in FY16. The debtor days stood at 43 and inventory holding at 178 days in FY17 as against debtor days of 117 and inventory holding of 311 days in FY16. Liquidity profile of the company is weak at 1.19 times as on FY17.
- **Intensely fragmented and competitive industry, exposure to cyclicity:** 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 tipper, trailers, lorries, cement carriers, granite carriers, water tankers etc for OEMs. Aditya Industries a sister concern, merged with AAEPL in FY17.

Company Financial Performance

The company has registered revenue of Rs. 54.24 Crs in FY17 compared to revenue of Rs. 17.62 Crs in FY16, indicating a growth of 207.83 %.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	29, Dec, 2016	2015	2014
1	Fund Based	Long Term	12.50	BWR BB Stable Reaffirmation	BWR BB Stable Assigned	-	-
2	Non Fund Based		0.75				
3	Non Fund Based	Short Term	1.50	BWR A4 Reaffirmation	BWR A4 Assigned	-	-
	Total		14.75	₹ Fourteen Crores and Seventy Five Lakhs Only			



Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Total Operating Revenue	Crores	54.75	17.72
EBITDA	Crores	3.63	1.70
PAT	Crores	(0.32)	0.29
Tangible Net worth	Crores	3.54	3.86
Total Debt/Tangible Net worth	Times	4.99	2.92
Current Ratio	Times	1.19	1.20

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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For print and digital media

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.