

RATING RATIONALE

14 Mar 2020

Aditya Infotech Ltd.

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 363.21 Crores of Aditya Infotech Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March, 2019)	Present
Fund-Based Cash Credit	320.00	320.00	Long Term	BWR A- (Stable)	BWR A- (Stable) (Reaffirmed)
Term Loan	10.90	7.21			
Working Capital Term Loan	30.00	21.00			
Fund-Based Standby Line of Credit	15.00	15.00	Short Term	BWR A1	BWR A1 (Reaffirmed)
Total	375.90	363.21	INR Three Hundred Sixty Three Crores & Twenty One Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

The rating factors in consistent growth in revenues, moderate financial performance, an established brand and a pan-India distribution network, along with qualified and experienced management. However, the rating is constrained by supplier concentration risks, intense competition and exposure to foreign exchange fluctuation.



KEY RATING DRIVERS

- **Credit Strengths:**

Established brand and distributor network pan-India: The company's indigenous brand CP Plus, a CCTV camera product, is a leading & flagship Security and Surveillance Brand. Aditya Infotech Ltd (AIL or the company) caters to demand through its distribution network of 6000+ channel partners in more than 300 cities across India and a network of ~45 branches, including service branches for customer support spread across India.

Increased revenue: The total operating income improved in FY19 over FY18.

Financial profile: The company's tangible net worth has increased on account of it retaining profits in business. Comfortable debt coverage indicators.

Experienced and qualified management: The promoters along with a structured professional management team are having extensive experience in the electronic, surveillance and distribution business.

- **Credit Risks:**

Intense competition: Intense competition from other major market players operating in the security and IT hardware segment could impact the company's revenue and profitability.

Supplier Concentration Risks: The company's products are assembled by various suppliers in China, and Dahua Technology (HK) Limited forms a significant portion of the supplies, thus exposing itself to a high supplier concentration risk and limited pricing power. In addition to assembling its products, AIL distributes the products of Dahua Technology Limited in India, thus increasing dependency. Furthermore, the company has adequate stock of electronic cameras and accessories for the next four months; hence, much effect of the coronavirus outbreak in China is not expected to be witnessed at present.

Exposure to foreign exchange fluctuation: The company sources its products from China and is therefore exposed to the currency fluctuation risk. However, the company has entered hedging contracts, largely covering currency fluctuation risks.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered AIL's financials and applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of



this rationale).

RATING SENSITIVITIES

Positive: The rating outlook may be revised to Positive in case revenues and profit show sustained improvement, going ahead, along with the company's ability to effectively manage its working capital and debt.

Negative: The rating outlook may be revised to Negative if revenues and profitability deteriorate, impacting overall debt protection metrics, which could also be due to the current coronavirus outbreak in China that may impact shortfall in overall products supply in medium term; this could result in decline in overall performance.

LIQUIDITY POSITION

Liquidity position stands adequate with regard to the business size

The company's liquidity position is marked by cash/cash equivalents of Rs. 50.72 crs, and the unutilised cash credit balance stood at Rs. 77.47 crs as on 31 March 2019.

COMPANY PROFILE

AIL, incorporated in 1995, delivers technology-driven security and safety solutions with special expertise in electronic video surveillance products and solutions. It is headquartered in Noida (NCR). AIL distributes security surveillance products such as CCTV cameras, DVR, video door phones, time attendance and access controls. AIL's indigenous brand CP Plus, which offers a bouquet of security and surveillance solutions, is a flagship brand of the company and contributed 51% of its total sales in FY19, along with commanding a significant market share in the electronic surveillance industry. Mr. Hari Shanker Khemka, Mr. Aditya Khemka and Mr. Rishi Khemka are the key management personnel in the company.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Revenue	₹ Cr	1157.88	1573.36
EBITDA	₹ Cr	83.77	96.83
PAT	₹ Cr	44.66	40.44
Tangible Net worth	₹ Cr	128.71	168.84
Total Debt/Tangible Net worth	Times	1.54	1.93

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NIL

RATING HISTORY

Instrument / Facilities	Current Rating (Year T)			Rating History								
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	Date(s)& Rating(S) assigned in year T-1			Date(s)& Rating(S) assigned in year T-2			Date(s)& Rating(S) assigned in year T-3		
Bank Loan Facility	FB - LT	348.21	BWR A-(Stable)	29 March 2019			27 Feb 18			29 Aug 16		
				FB-LT	360.90	BWR A-(Stable)	FB-LT	93.85	Issuer Not Cooperating BWR A-(Stable)	FB-LT	93.85	BWR A-(Stable)
	FB - ST	15.00	BWR A1	FB-ST	15.00	BWR A1	NFB-ST	215.00	Issuer Not Cooperating BWR A1	NFB-ST	215.00	BWR A1



Total		363.21	INR Three Hundred Sixty Three Crores and Twenty One Lakhs Only
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COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Trading Entities](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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Aditya Infotech Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	HDFC Bank	Cash Credit	50.00	-	50.00
2		Term Loan	6.78	-	6.78
3		Standby Line of Credit	-	15.00	15.00
4	Tamilnad Mercantile Bank Limited		200.00	-	200.00
5			0.43	-	0.43
6	Yes Bank	Cash Credit	70.00	-	70.00
7		WCTL	21.00	-	21.00
TOTAL					363.21

Total Rupees Three Hundred Sixty Three Crores & Twenty One Lakhs only.

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Ratings has Canara Bank, a leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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