

Rating Rationale

Aditya Infotech Limited

25Apr2018

Brickwork Ratings reaffirms/assigns the ratings for the bank loan facilities of Aditya Infotech Limited.

Particulars

Facility	Tenor	Previous Limits (Rs. Crs)	Present Limits (Rs. Crs)	Previous Rating (Feb 2018)	Present Rating*
Fund Based					
Term Loan	Long Term	6.00	13.85	Issuer did not Co-operate; Based on best available information BWR A- Outlook: Stable Reaffirmed	BWR A- (Pronounced as BWR Single A Minus) Outlook: Stable Reaffirmed/Assigned
Cash Credit (Sub-Limit of STTC)		(75.00)	(100.00)		
Cash Credit		-	60.00	-	
WCTL		-	20.00	-	
Non Fund Based					
Short Term Trade Credit (STTC)	Short Term	175.00	200.00	Issuer did not Co-operate; Based on best available information BWR A1 Reaffirmed	BWR A1 (Pronounced as BWR Single A One) Reaffirmed
ILC (Sub-Limit of STTC)		(5.00)	(6.00)		
IBG/FBG (Sub-Limit of STTC)		(3.00)	(4.00)		
Standby Letter of Credit		15.00	15.00		
Total		196.00	308.85	INR Three Hundred Eight Crores and Eighty Five Lakhs Only)	

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

Rating: Reaffirmed/Assigned

Rationale:

The rating for bank loan facilities of Rs. 308.85 Crs, factors the extensive experience of the promoters in the domestic security and surveillance market and Aditya Infotech Limited (AIL) leadership position in the domestic video surveillance segment via its indigenous brand “CP Plus”, a CCTV camera product which is the flagship product of the company, above average financial risk profile of the company marked by comfortable debt protection metrics and moderate gearing position.

These strengths are partially offset by the forex risk on account of AIL’s dependence on imports and intense competition from the organized and small unorganized market players in the video surveillance segment.

Key Rating Drivers:

Top Line Growth: There is year on year improvement in the company revenue marked by Revenue from operations of Rs. 525.38 Crs in FY15 to Rs. 766.12 Crs in FY16 to Rs. 906.38 Crs in FY17. The video surveillance (CP Plus and DAHUA) segment contributed ~80% of revenue in FY17 as against 81% in FY16. Rest of the revenue was contributed from Home solutions, Access control systems and others. Going forward, the demand is likely to be driven by domestic and international security concerns, increased demand from modern households and public infrastructure space and the government focus on developing smart cities. For the past three years (FY15-FY17) company has grown at a CAGR of ~19%.

Credit Profile: AIL financial risk profile is driven by adequate gearing and adequate cushion vis-a-vis debt repayment obligations. As on March 31, 2017, AIL had debt of Rs. 130.45 crore, resulting in a gearing of 1.53 times. The company has adequate net cash flows to meet annual debt obligation (Post Interest expense) of Rs. 10-12 crore in fiscals 2019-2021. Also, progressive debt repayment and minimal debt-funded capex will lead to a stronger balance sheet over the medium term.

Product Profile: AIL is focusing on increasing the revenue contribution from its indigenous brand “CP Plus” which contributed 55% in FY17 (FY16: 48%) and this could further increase going forward. DAHUA contributed ~25% to revenue in FY17 as against 35% in FY16. AIL’s product profile is fairly diversified with the camera, digital video recorder segments contributing rest of the revenue.

Forex Risk: AIL’s operations remain vulnerable to forex fluctuation risk on account of its dependence on imports, which is partially mitigated as the company has now outsourced its Forex Hedging Practices.

Intense Competition: Intense competition from the other organized market players in the video surveillance segment and from the small unorganized market players operating in the security segment could impact the company’s revenue and profitability. However in the past one year, due to the implementation of GST and rationalization of duty structure, the small unorganized market got squeezed benefiting the larger organized players like AIL.

Going forward, the ability of the firm to meet its projected turnover and profitability shall be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **AIL** 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 company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company:

Aditya Infotech Ltd. (AIL) – the technology arm of Aditya Group, is a major player, delivering technology driven security and safety solutions with special expertise in Electronic Video Surveillance Products and Solutions. AIL has forged ahead to become the industry leader in Security, Surveillance & Life Safety space and become the leading distribution house in the security and surveillance space .AIL was incorporated in 1995 and has headquartered at Noida (NCR).AIL own “CP Plus” Indigenous security and surveillance brand in the country .AIL is engaged in the distribution of security surveillance products such as CCTV camera , DVR ,Video door phone, time attendance and ,access controls etc. .

Company’s Financial Performance:

Key Financial Parameters	FY17 (A)	FY16 (A)
Revenue from operations (Rs. Crs)	906.38	766.12
EBIDTA (Rs. Crs)	48.74	42.57
PAT (Rs. Crs)	19.71	12.08
Total Debt (Rs. Crs)	130.45	148.37
D/E (times)	1.53	2.26
Current Ratio (times)	1.21	1.22

The Tangible networth of the company stood at Rs. 85.41 Crs as on 31-3-2017 and the Company has achieved revenue from operations of Rs. 902.5 Crs with PAT of Rs. 37.86 Crs for 10MFY18.

Rating History for the last three years:

SI. No.	Instrument/Facility	Current Rating (April 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	Feb 2018	Aug 2016	2015
1	Term Loan	Long Term	13.85	BWR A-/Stable Reaffirmed	Issuer did not co-operate; based on best available information BWR A-Reaffirmed	BWR A-/Stable Assigned	NA
2	Cash Credit (Sub-limit of STTC)	Long Term	(100.00)	BWR A-/Stable Reaffirmed			
3	Cash Credit	Long Term	60.00	BWR A-/Stable Assigned	-	-	
4	WCTL	Long Term	20.00	BWR A-/Stable Assigned	-	-	
5	Short Term Trade Credit (STTC)	Short Term	200.00	BWR A1 Reaffirmed	Issuer did not co-operate; based on best available information BWR A1 Reaffirmed	BWR A1 Assigned	
6	ILC (Sub-limit of STTC)	Short Term	(6.00)	BWR A1 Reaffirmed			
7	IBG/FBG (Sub-limit of STTC)	Short Term	(4.00)	BWR A1 Reaffirmed			
8	Standby Letter of Credit	Short Term	15.00	BWR A1 Reaffirmed			
Total			308.85	(INR Three Hundred Eight Crores and Eighty Five Lakhs Only)			

NA: Not Available

Status of non-cooperation with previous CRA (if applicable): IND Ra BBB+/A2 Issuer Not Co-operating assigned on 15th September, 2017.

Any other information: NIL



Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analysts	Media
Ravindra Kumar General Manager – Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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 ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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.