



RATING RATIONALE

29 April 2021

Aditya Infotech Ltd.

Brickwork Ratings reaffirms the ratings and revises the outlook for the Bank Loan Facilities of ₹ 362.00 Crores of Aditya Infotech Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (November, 2019)	Present
Fund Based	348.21	360.00	Long Term	BWR A- (Stable)	BWR A- (Negative) (Reaffirmed with revision of Outlook to Negative)
Fund Based	15.00	2.00	Short Term	BWR A1	BWR A1 (Reaffirmed)
Total	363.21	362.00	INR Three Hundred Sixty Two Crores Only		

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

** Details of bank facilities are provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has considered the audited financial statements upto FY20, C.A.-certified provisional financial numbers upto February 2021, projected financials upto FY23, and publicly available information and clarifications provided by the management of Aditya Infotech Ltd. (AIL or the company).

The rating factors in moderate 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.

The outlook revision factors in the expected weak operating performance basis the estimates provided by the company. Any significant weakening in profitability and other credit metrics may result in a rating downgrade.



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 and flagship security and surveillance brand. AIL 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.

Moderate financial performance: The company's tangible net worth is expected to improve to Rs. 195 crs in FY21 (E), as compared to Rs. 168.02 crs in FY20 (FY19: 168.84 crs). Expected decline in borrowings is expected to improve the Total Debt/TNW to 1.24x in FY21(E) from 1.58x in FY20 (FY19: 1.93x). The current ratio improved to 1.27x in FY21 (E) from 1.21x in FY20 (FY19: 1.17x).

Experienced and qualified management: The company is promoted by Mr. Hari Shanker Khemka, Aditya Khemka and Rishi Khemka, who have over two decades of experience in this industry, which has resulted in long and established relations with most suppliers and customers.

• Credit Risks:

Declined revenue in FY20: The company's total operating income declined by ~23% in FY20 from Rs. 1573.36 crs in FY19 to Rs. 1219.28 crs, mainly because of the unprecedented Covid-19 pandemic and discontinuation of sales to the group JV entity. As revenue decreased in FY20, profitability was also impacted as the EBITDA decreased to Rs. 40.90 crs in FY20 over Rs. 96.83 crs FY19. Furthermore, the company incurred net loss in FY20. However, the company is expecting an improvement in its profitability with stable growth in revenue for FY21 (E).

Intense competition: Intense competition from the other major market players operating in the security and IT hardware segment could impact the company's revenue and profitability. This has also necessitated continued investments in technological advancements by the company.

Supplier concentration risks: The company remains exposed to supplier concentration risk with two major suppliers accounting for more than 80% of the supplies and thus, limiting pricing power. In addition to assembling its products, AIL distributes the products of Dahua Technology Limited in India, thus increasing dependency.

Exposure to foreign exchange fluctuation: The company sources its products from China and is, therefore, exposed to 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 standalone financials and applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive:

The rating outlook may be revised to Stable in case the overall financial performance sustainably improves and/or the capital structure is maintained.

Negative:

The rating may be downgraded if revenues and profitability deteriorate, impacting overall debt protection metrics, which could result in decline in overall performance.

LIQUIDITY PROFILE: Adequate

Liquidity was adequate, characterised by cash and cash equivalents of Rs. 135.38 crs as on 31 March 2021 (Prov.), and the current ratio stood at 1.21x as on 31 March 2020. The repayment obligation for FY22 is Rs 32.87 crs.

COMPANY PROFILE

Aditya Infotech Ltd. (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, 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	FY19	FY20
Result Type		Audited	Audited
Operating Revenue	₹ Cr	1573.36	1219.28
EBITDA	₹ Cr	96.83	40.90
PAT	₹ Cr	40.44	-0.36
Tangible Net worth	₹ Cr	168.84	168.02
Total Debt/Tangible Net worth	Times	1.93	1.58
Current Ratio	Times	1.17	1.21

Note: The company has estimated revenue of Rs. 1160.00 crs, an EBITDA of Rs. 37.33 crs and a PAT of Rs. 28.75 crs for FY2021 (E).

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NIL

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Instrument / Facilities	Current Rating (2021)			Rating History (Rs. in Crs)								
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	14Mar2020			29Mar2019			25Apr2018		
Bank Loan Facility	FB - LT	360.00	BWR A- (Negative) (Reaffirmed with revision of Outlook to Negative)	FB-LT	348.21	BWR A- (Stable)	FB-LT	360.90	BWR A- (Stable)	FB-LT	93.85	BWR A- (Stable)
	FB - ST	2.00	BWR A1	FB-ST	15.00	BWR A1	FB-ST	15.00	BWR A1	NF B-ST	215.00	BWR A1
Total		362.00	INR Three Hundred Sixty Two Crores Only									

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	
Nilesh Gupta Rating Analyst Board: +91 22 2831 1426, +91 22 2831 1439 Ext. 655 nilesh.g@brickworkratings.com	Chintan Lakhani Director – Ratings Phone: +91 22 28311426,28311439. chintan.l@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

Aditya Infotech Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	Cash Credit	205.00	-	205.00
2	WCDL	80.00	-	80.00
3	Term Loan	19.75	-	19.75
4	Proposed Fund Based	55.25	-	55.25
5	Standby Letter of Credit	-	2.00	2.00
TOTAL				362.00

Total Rupees Three Hundred Sixty Two Crores only.

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