



Rating Rationale

Aditya Infotech Ltd.

29 Mar 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 375.90 Crores of Aditya Infotech Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2018)	Present
Fund based	93.85	360.90	Long Term	BWR A- (BWR A Minus) Outlook: Stable	BWR A- (BWR A Minus) Outlook: Stable <i>Reaffirmed</i>
	-	15.00	Short Term	-	BWR A1 (BWR A One)
Non Fund Based	215.00	0.00	Short Term	BWR A1 (BWR A One)	-
Total	308.85	375.90	INR Three Hundred Seventy Five Crores and Ninety Lakhs 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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY 18, provisional financials for 9M FY19, projections till FY 20 and publicly available information and information/clarifications provided by the company management.



The rating has inter-alia factored in the qualified and experienced management, consistent growth in revenues, improved operational performance, modest debt coverage indicators, a strong market position of its products, increased market penetration through its increased collaborations as well as through its well established distributor network all over the country. However, the rating is constrained by lower levels of profitability, exposure to foreign currency risks, threats from technological obsolescence as well as working in an industry characterised by intense competition.

Description of Key Rating Drivers

Credit Strengths:

Experienced and Qualified Management: Experienced promoters with qualified and professional management team possessing relevant experience working in the industry.

Increased Market Penetration: Strong Market Penetration through channel partners in more than 300 cities across India and a network of ~ 45 branch offices, pan India. Strong market position in India with ~30% overall market share in Electronic Security segment.

Experienced and Qualified Management: Experienced promoters with qualified and professional management team possessing relevant experience working in the industry.

Increased collaborations: The company's Joint Venture with Dixon Technologies (India) Limited to manufacture locally is expected to assist in a more cost efficient manner, while contracts to distribute electronic surveillance products of Dahua Technologies HK Ltd. & Panasonic are expected to provide the company access to various segments of the market with differing margins as well as provide it with increased scale.

Improved Operating performance: The operating performance of the company has shown a steady increase over the past two years, also resulting in improved debt coverage metrics.

- **Credit Risks:**

Intense Competition: A rise in trend of securing homes and commercial properties is witnessed in the recent years resulting in creation of demand for electronic security. This increasing demand has resulted in increased competition with international companies entering the market.

Technological Obsolescence: The company's products largely include electronic surveillance equipments like cameras, DVRs, video door phones, witnessing constant evolution and upgrades. Continuous investments in R&D is of utmost importance, else it faces the technological obsolescence risk.



Currency Risks: The company sources its raw materials from China and is exposed to the currency fluctuation risks. However, the company has entered into hedging contracts, largely covering the currency risks.

Supplier Concentration Risks: The company's products are assembled by various suppliers in China, with Dahua Technology (HK) Limited forming a significant portion of the supplies, thus, exposing itself to high supplier concentration risk and limited pricing power. In addition to assembling of its products, AIL is also the distributor of the products of Dahua Technology Limited in India, increasing the dependency.

Duties & Taxes: The inherent nature of international trade, being exposed to changes in changing trade barriers.

Profitability: Profitability although improved, continues to be low both at Operating Profit Margin & Net Profit Margin level.

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 Infotech 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, profit show sustained improvement and increased collaborations assist the company in achieving scale as well as better profitability. The rating outlook may be revised to 'Negative' if the revenues go down, profit margins show lower than expected figures and operating cash flow remains negative.

About the Company

Aditya Infotech Ltd. (AIL or The Company), incorporated in 1995, delivers technology driven security and safety solutions with special expertise in Electronic Video Surveillance Products and Solutions. It is headquartered at Noida (NCR). AIL is engaged in the distribution of security surveillance products such as CCTV cameras, DVR ,Video door phone, time attendance, access controls, etc. AIL's indigenous brand "CP Plus", a CCTV camera product is a flagship brand of the company, contributing ~63% of its total sales in FY18 and commanding a significant market share in electronic surveillance industry. Mr. Harishanker Khemka, Mr. Aditya Khemka & Mr. Rishi Khemka form the key management personnel of the company.

Company Financial Performance

As per audited financials for FY18, Total Operating Income increased to Rs. 1157.88 Crs (v. Rs. 906.38 Crs) primarily on account of increase in sales in electronic surveillance equipments of Cameras and DVRs., growing at a CAGR of 30% over three year period ending FY18. Profits increased in line with revenues, with EBITDA & PAT at Rs. 83.77 Crs (v. Rs. 49.33 Crs) & Rs. 44.66 Crs (v. Rs. 19.71 Crs) respectively. TNW increased to Rs. 128.71 Crs (v. Rs. 85.41 Crs), while Total Debt increased to Rs. 198.18 Crs resulting in a gearing ratio of 1.54x (v. 1.53x). Debt Coverage Indicators improved on account of improved operational performance with ISCR & DSCR at 4.14x (v. 2.86x) & 2.98x (v. 1.89x) respectively. Liquidity remained moderate with Cash Conversion Cycle at 71 days (v. 74 days). Current ratio stands at 1.23x (v. 1.21x).

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History			
		Type	Amount (₹ Crs)	Rating	25 Apr 18	27 Feb 18	2017	29 Aug 16
1.	Fund Based Cash Credit FLC/FCL/CC Term Loan WCTL	Long Term	120.00 200.00 10.90 30.00	BWR A- (BWR A Minus) Outlook: Stable <i>Reaffirmed</i>	BWR A- (BWR A Minus) Outlook: Stable	Issuer Not Cooperating BWR A- (BWR A Minus) Outlook: Stable	-	BWR A- (BWR A Minus) Outlook: Stable
2	Fund Based Standby Line of Credit	Short Term	15.00	BWR A1 (BWR A One)	-	-	-	-
2.	Non Fund Based	Short Term	0.00	-	BWR A1 (BWR A One)	Issuer Not Cooperating BWR A1 (BWR A One)	-	BWR A1 (BWR A One)
Total			375.90	₹ Three Hundred seventy five Crores and Ninety Lakhs Only				

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

NA



Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		(Audited)	(Audited)
Operating Revenue	Rs. Crs	906.38	1157.88
EBITDA	Rs. Crs	49.33	83.77
PAT	Rs. Crs	19.71	44.66
Tangible Net worth	Rs. Crs	85.41	128.71
Total Debt/Tangible Net worth	Times	1.53	1.54
Current Ratio	Times	1.21	1.23

Hyperlink/Reference to applicable Criteria

- [General Criteria](#) [Approach to Financial Ratios](#)
- [Trading Entities](#) [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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 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.

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.