Rating Rationale

Aditya Vidyut Appliances Ltd **16th April 2018**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 237.00 Crores of Aditya Vidyut Appliances Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Proposed Cash Credit	52.00 12.00	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable
Non Fund Based Letter of Credit Bank Guarantee Proposed Bank Guarantee	28.00 120.00 25.00	Short Term	BWR A3 (Pronounced as BWR A Three)
Total	237.00	INR Two Hundred & Thirty Seven Crore Only	

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

Ratings-Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has relied upon Aditya Vidyut Appliances Limited (AVAL)'s audited financial results up to FY17, provisional financials up to January, 2018 and projected financials of up to FY19, the information/clarifications provided by the Company and the information available on the public domain.

The ratings, inter alia, factor established track record of the company, experience of the promoters in the industry, long standing relationship with power companies, limited competition in transformer manufacturing segment, moderate financial profile of the company, .

However, the rating is constrained by customer concentration risk, working capital intensity of business, modest net profitability, moderate liquidity position and intense competitive pressure in transformer manufacturing business.

Description of Key Rating Drivers

- **Credit Strengths:**
- **Experience of the promoters:** The promoters of the company are engaged in the business of manufacturing & remanufacturing power transformers since 1989.
- **Established track record of the company:** The promoters, with their experience have managed to acquire reputed clientele and establish a good track record of the company.
- **Moderate financial profile:** The company has moderate financial profile. As of FY17, tangible net worth of the company stood at Rs. 82.89 Crores.
- **Healthy growth in operations:** In FY17, the company was able to achieve Y-o-Y total operating income growth of 34.87% on account of management's decision to concentrate more on transformer manufacturing segment.

- **Credit Risks:**
- **Moderate debt protection metrics:** The company has moderate debt protection metrics which is reflected by moderate ISCR of 1.49x as of FY17.
- **Stretched working capital cycle:** Delayed payments from state owned DISCOMs puts pressure on company's working capital cycle.
- **Declining profitability:** The company has witnessed a dip in profitability as the management decided to concentrate on the manufacturing segment where the margins are on the lower side.
- **Intense competition:** The company faces limited but intense competition from other players in the market. The company is forced to remain competitive which puts pressure on profitability.

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 Vidyut Appliances 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 Vidyut Appliances Limited (The Company or AVAL), promoted by Mr N.P.S. Prabhu and his family on June 26, 1989, is into new and contract manufacturing & repairs of distribution and power transformers of 11 kV to 400 kV class

The company has two manufacturing units located in Bhiwandi, Thane District, with aggregate annual capacity of 16000MVA (utilizing 12000 to 13000 MVA-:75% to 80%) as on March 31, 2017.

Company Financial Performance

AVAL achieved TOI of Rs. 281.69 Crore in FY17 as against Rs. 208.85 Crore in FY16. Operating profit margins were at 10.64 to % in FY17 as compared to 13.86% in FY16. Net profit margins were at 1% in FY17 as compared to 2.07% in FY16. As per provisional figures till January 2018, the company has achieved revenue of Rs. 246.30 Crore and PAT of Rs. 3.75 Crore.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	64.00	**BWR BBB- (Stable)**	**NA**	**NA**	**NA**
	Non Fund Based	Short Term	173.00	**BWR A3**	**NA**	**NA**	**NA**
	Total		**237.00**	**₹ Two Hundred & Thirty Seven Crore Only**			

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	281.69	208.85
EBITDA	₹ Cr	29.97	28.94
PAT	₹ Cr	2.80	4.33
Tangible Net worth	₹ Cr	82.89	80.09
Total Debt/Tangible Net worth	Times	1.13	1.10
Current Ratio	Times	1.16	1.17

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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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.