



Rating Rationale

Aerospace Materials Pvt Ltd

16 Feb 2018

Brickwork Ratings upgrades the long term & short term rating for the Bank Loan Facilities of Rs 9.26 Crores of Aerospace Materials Pvt Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating	
	Previous (March 2017)	Present		Previous (March 2017)	Present
Fund Based			Long Term	BWR BB+ (Pronounced BWR Double B Plus) Outlook:Stable Reaffirmed	BWR BBB- (Pronounced BWR Triple B Minus) Outlook:Stable Upgraded
Cash Credit	1.00	1.00			
Term Loan I	0.77	0.20			
Term Loan II	2.39	1.56			
Bill Discounting	2.00	-	Short Term	BWR A4+ (Pronounced BWR A Four Plus) Reaffirmed	BWR A3 (Pronounced BWR A Three) Upgraded
Non Fund Based					
Bank Guarantee	6.50	6.50			
Total	12.66	Rs.9.26 Crores (Rupees Nine Crores and Twenty Six Lakhs Only)			

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Upgraded

Brickwork Ratings (BWR) upgrades the long term and short term rating for the Bank Loan Facilities of Rs. 9.26 crores of Aerospace Materials Pvt Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results up to FY17, projections upto FY19, publicly available information and the information/clarifications provided by the Company.

The rating has factored, long standing experience of promoters in the aerospace engineering industry; established as a recognized vendor by reputed clientele, long standing relationships with clients, increased revenue, increased net worth and comfortable gearing level. The ratings however are constrained by working capital intensity of the business, modest scale of operation, high conversion cycle and high sector concentration with presence limited to aerospace and defence industries.

Description of Key Rating Drivers

Credit Strengths: Promoters Experience is about 2 decades. Clientele are such as Indian Space Research Organisation (ISRO), Defence Research and Development Laboratory (DRDL), Vikram Sarabhai Space Centre (VSSC), Larsen & Toubro Limited etc , relationship as demonstrated by repeat orders, revenue increased from Rs 17.44.Crs in FY 16 to Rs 24.22. Crs in FY17 , Net worth increased to Rs 24.11. Crs in FY17 , Gearing is @ 0.17 times.

Credit Risks: conversion cycle is 154 days , total operating income is Rs. 24.42 Crs in FY 17

Going forward, the ability of the company to increase scale of operation by increasing revenues, and manage working capital requirement would be the rating sensitivities

Rating Outlook: Stable

BWR believes the **Aerospace Materials Pvt 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.

Analytical approach

BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

About the Company

Incorporated in 1988, Aerospace Materials Private Limited (AMPL), Coimbatore, is engaged in manufacturing of heat shield material for Rocket Nozzles. The company has three units located at Tamil Nadu. AMPL is a family run business, which is managed by Mr. A. M. Palanisamy, Mr. N. Ramasamy, Mr. K Palaniswamy, Mr. M. Thangaraj and Mr. S. Arul Senthil Kumar who possess over two decades of experience in the industry. The company has reputed clients like Vikram Sarabhai Space Centre, Defence Research & Development Laboratory, Resins & Allied Products, RR Industries and Larsen & Toubro Limited in its portfolio.

Company Financial Performance

The net revenues from operations were Rs. 24.42 Cr and PAT stood at Rs. 4.15 Cr in FY17 as against Rs. 17.44 Cr and Rs. 2.12 Cr respectively in FY16. The tangible net worth stood at Rs. 24.11 Crores as on March 31, 2017. Debt-equity stood at 0.17 times as on March 31, 2017. The Company has inventory days of 141 days in FY17.

As on 31st December 2017, the company has informed, having achieved turnover of Rs. 23.57 Cr.

Key Financial Indicators

Key Parameters	Units	2016	2017
Result type		Audited	Audited
Total Operating Income	Crores	17.44	24.42
EBITDA	Crores	5.09	8.08
PAT	Crores	2.12	4.15
TNW	Crores	21.11	24.11
Total Debt/Total Net Worth	Times	0.36	0.17
Current Ratio	Times	1.66	1.95

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History			
		Tenure	Amount (Rs Crs)	Rating	20.3.2017	31.12.2016	2015	2014
1	Cash Credit	Long Term	1.00	BWR BBB- (Pronounced BWR Triple BMinus) Outlook:Stable Upgraded	BWR BB+ (Pronounced BWR Double B Plus) Outlook:Stable Reaffirmed	Not reviewed	Not rated	Not rated
2	Term Loan I		0.20					
3	Term Loan II		1.56					
5	Bank Guarantee	Short Term	6.50	BWR A3 (Pronounced BWR A Three) Upgraded	BWR A4+ (Pronounced BWR A Four Plus) Reaffirmed			
	Total		9.26	(Rupees Nine Crores and Twenty Six Lakhs Only)				

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable

Hyperlink/Reference to Applicable Criteria

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

Annexure-I **Details of Bank Facilities**

₹ Crores

Name of the Bank	Name of Facility	Tenure	Previous Limits (March, 2017)	Present Limits
Federal Bank	Cash Credit	Long Term	1.00	1.00
	Term Loan		0.77	0.20
	Term Loan		2.39	1.56
	Bill Discounting	Short Term	2.00	-
	Bank Guarantee		6.50	6.50
Total			12.66	9.26

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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 ₹ 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.