



## Rating Rationale

Aerospace Materials Pvt Ltd

20<sup>th</sup> March 2017

**Brickwork Ratings reaffirms the long term & short term rating for the Bank Loan Facilities of Aerospace Materials Pvt Ltd.**

### Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating	
	Previous (October 2013)	Present		Previous (October 2013)	Present
<b>Fund Based</b>			<b>Long Term</b>	BWR BB+ (Pronounced BWR Double B Plus) Outlook:Stable	BWR BB+ (Pronounced BWR Double B Plus) Outlook:Stable <b>Reaffirmed</b>
Cash Credit	1.00	1.00			
Term Loan I	3.42	0.77			
Term Loan II	5.13	2.39			
Bill Discounting	-	2.00	<b>Short Term</b>	BWR A4+ (Pronounced BWR A Four Plus)	BWR A4+ (Pronounced BWR A Four Plus) <b>Reaffirmed</b>
<b>Non Fund Based</b>					
Bank Guarantee	8.00	6.50			
<b>Total</b>	<b>17.55</b>	<b>Rs. 12.66 Crores (Rupees Twelve Crores and Sixty Six Lakhs Only)</b>			

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

### Rating Reaffirmed

Brickwork Ratings (BWR) reaffirms the long term and short term rating for the Bank Loan Facilities of Rs. 12.66 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 FY16, projections upto FY18, publicly available information and the information/clarifications provided by the Company.

The rating has factored, longstanding experience of promoters in the aerospace engineering industry; established position of AMPL as a recognized vendor in the aerospace sector to reputed



clientele such as Indian Space Research Organisation (ISRO), Defence Research and Development Laboratory (DRDL), Vikram Sarabhai Space Centre (VSSC), Larsen & Turbo Limited etc and long standing relationships with clients as demonstrated by repeat orders apart from increasing network and comfortable gearing levels. The ratings however are constrained by the high working capital intensity of the business given the long collection period and high lead time in manufacturing; high client concentration risk and high sector concentration with presence limited to aerospace and defence industries.

The rating outlook is expected to be stable over the current year. Going forward, ability of the company to increase revenues, diversify client base and manage working capital requirement as it scales up operations will be the key rating driver from credit perspective. Timely execution of the project completion without cost overruns will be a key rating sensitivity.

### **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.

### **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 Sarabha Space Centre, Defence Research & Development Laboratory, Resins & Allied Products, RR Industries and Larsen & Turbo Limited in its portfolio.

### **Company Financial Performance**

The net revenues from operations were Rs. 17.44 Cr and PAT stood at Rs. 2.12 Cr in FY16 as against Rs. 16.52 Cr and Rs. 3.15 Cr respectively in FY15. The tangible net worth stood at Rs. 21.11 Crores as on March 31, 2016. Debt-equity stood at 0.36 times as on March 31, 2016. The Company has inventory days of 210 days in FY16.

As on 31<sup>st</sup> January 2017, the company has informed, having achieved turnover of Rs. 20.43 Cr.

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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)		Rating History			
		Tenure	Amount (Rs Crs)	Rating	Date in 2016	Date in 2015	Date in 2014
1	Cash Credit	Long Term	1.00	BWR BB+ (Pronounced BWR Double B Plus) Outlook:Stable <b>Reaffirmed</b>	Nil	Nil	Nil
2	Term Loan I	Long Term	0.77		Nil	Nil	Nil
3	Term Loan II	Long Term	2.39		Nil	Nil	Nil
4	Bill Discounting	Short Term	2.00	BWR A4+ (Pronounced BWR A Four Plus) <b>Reaffirmed</b>	Nil	Nil	Nil
5	Bank Guarantee	Short Term	6.50		Nil	Nil	Nil

**Hyperlink/Reference to Applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.