

RATING RATIONALE

25 November 2020

Akar Auto Industries Limited

Brickwork Ratings reviewed the ratings for the Bank Loan Facilities of ₹ 74.64 Crores of Akar Auto Industries Limited (AAIL or "The Company") based on best available information, as the issuer did not cooperate.

Particulars

Facility	Amount (₹ Cr)		Tenure	Rating#	
	Previous	Present		Previous (May, 2020)	Present^
Fund based	46.63	46.63	Long Term	BWR BB/Negative [Downgraded] Issuer Not Cooperating*	BWR B/Negative [Downgraded] Issuer Not Cooperating*
	17.50	17.50	Short Term	BWR A4 [Downgraded] Issuer Not Cooperating*	BWR A4 [Reaffirmed] Issuer Not Cooperating*
Non Fund Based	10.51	10.51	Short Term	BWR A4 [Downgraded] Issuer Not Cooperating*	BWR A4 [Reaffirmed] Issuer Not Cooperating*
Total	74.64	74.64	INR Seventy Four crores and Sixty Four Lakhs Only		

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

* Issuer did not cooperate, based on best available information.

Details of Bank facilities is provided in Annexure-I

RATING : Downgraded long term rating and reaffirmed short term rating while rating continues to remain in the 'Issuer Not Cooperating' category.



Current Update:

The revision in rating is driven by the significant decline in operating income to Rs. 64.62 crores in 6MFY21 as against Rs. 108.09 crores in 6MFY20 mainly to the slowdown in demand for automobile industry which further worsened by the outbreak of COVID-19 pandemic resulting in temporary shutdown of operations and slowdown in demand. This has also resulted in significant deterioration in the coverage indicators and financial performance of the company.

In view of the above, BWR has downgraded the long term rating to BWR B with Negative outlook and reaffirmed the short term rating to BWR A4 under Issuer Not Cooperating; based on best available information.

NATURE OF NON-COOPERATION:

BWR took up with the issuer to provide required information over emails and through telephonic communication. Despite the best efforts of BWR to get at least the minimum required information for a review, the entity has not provided the same. In the absence of adequate information from the issuer, BWR is unable to assess the issuer's financial performance and its ability to service its debt and maintain a valid rating.

LIMITATIONS OF THE RATING

Information availability risk is a key factor in the assessment of credit risk as generally, noncooperation by the rated entities to provide required information for a review of the assigned rating may also be accompanied by financial stress.

COMPANY PROFILE (Information available as of 28 November 2018)

Akar Auto Industries Limited (Formerly known as Akar Tools Limited) is Mumbai based public limited company incorporated in the year 1989. The company is engaged in manufacturing hand tools, leaf springs for major auto and non-auto OEMs and high quality precision engineered foreign components. The company has three manufacturing units located in Walnuj, Aurangabad. The day to day operations of the company is managed by Mr. R. L. Gupta, Chairman and Mr. Sunil Todi, Managing Director.

Key Financials Indicators (As per publicly available sources)

Key Parameters	Units	FY2019	FY2020
Result Type		Audited	Audited
Total Operating Income	Rs. Crs	277.79	198.83
EBITDA	Rs. Crs	18.50	9.35
Profit After Tax	Rs. Crs	5.21	(3.06)
Tangible Net worth (TNW)	Rs. Crs	32.36	28.57
Total Debt/ TNW	Times	2.05	2.33
Current Ratio	Times	1.19	1.13

Note: The company has reported net loss of Rs. 3.81 crores on an operating income of Rs. 64.62 crores for the six months ended as on 30th September 2020 on provisional basis.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :

India Ratings & Research vide its press release dated 4th March 2020 has continued to classify the ratings as Issuer Not Cooperating; based on best available information and reaffirmed the rating to BB+/Stable and BWR A4+, as the Company has not provided the requisite information for surveillance of rating.

ANY OTHER INFORMATION: Not Applicable

RATING HISTORY FOR THE PREVIOUS THREE YEARS [INCLUDING WITHDRAWAL AND SUSPENDED]

Instrument / Facilities	Current Rating			Rating History				
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating^	03 August 2020	2019	2018		
Fund Based	Long Term	46.63	BWR B/ Negative [Downgraded] Issuer Not Cooperating*	BWR BB/ Negative [Downgraded] Issuer Not Cooperating*	-	28.11.2018		
						FB	46.63	BWR BBB-/ Stable
	Short Term	17.50	BWR A4 [Reaffirmed] Issuer Not Cooperating*	BWR A4 [Downgraded] Issuer Not Cooperating*	-	NFB	17.50	BWR A3
						NFB	10.51	BWR. A3
Non Fund Based	Short Term	10.51	BWR A4 [Reaffirmed] Issuer Not Cooperating*	BWR A4 [Reaffirmed] Issuer Not Cooperating*	-	29.06.2018		
						FB	46.96	BWR BBB-/ Stable
						FB	17.50	BWR A3
						NFB	10.51	BWR A3
Total		74.64	INR Seventy four crores and Sixty four lakhs Only					

* Issuer did not cooperate, based on best available information.

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](#)
- [What constitutes Non-Cooperation](#)
- [Rating Criteria for Manufacturing Companies](#)

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ANNEXURE I

Akar Auto Industries Limited

Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	Canara Bank	Cash Credit	20.80	-	20.80
2.		Packing Credit /Packing Credit in Foreign Currency	-	12.50	12.50
3.		Foreign Bill Discounting Bills (FDB)/Foreign Bill Exports (FBE)	-	5.00	5.00
4.		Term Loan I	2.74	-	2.74
5.		Term Loan II	11.75	-	11.75
6.		Proposed Loan	11.34	-	7.15
7.		Letter of Credit	-	8.00	8.00
8.		Bank Guarantee	-	2.51	2.51
TOTAL					74.64

Total Rupees Seventy Four Crores and Sixty four lakhs only.



For print and digital media

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