



Rating Rationale

Akar Auto Industries Ltd. (Formerly Known as Akar Tools Ltd.)

28Nov2018

Brickwork Ratings reaffirms the Rating at BWR BBB-/A3 (Outlook:Stable) for the Bank Loan Facilities of Rs.74.64 Crs of Akar Auto Industries Ltd. ('AAIL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (June 2018)	Present (Nov 2018)
Fund based	46.96	46.63	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus)	BWR BBB- (Pronounced as BWR Triple B Minus) Reaffirmed
Fund Based	17.50	17.50	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) Reaffirmed
Non-Fund Based	10.51	10.51	Short Term		
Total	74.97	74.64	INR Seventy Four Crores Sixty Four Lakhs Only		

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

Annexure I shows the detailed facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of the Company upto FY18, provisional financial results for H1FY19, projections upto FY19, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the long and established track record of the Company, vast experience of the promoters in auto-ancillary industry and improved revenue. However, the rating is constrained by modest scale of operation, thin profit margins, moderate debt coverage indicators, stretched liquidity position and competitive nature of the industry with exposure to volatility in raw material prices.

Going forward the ability of the Company to achieve the envisaged projections, improve its overall

28Nov2018



credit risk profile and efficiently manage its working capital would be the key rating sensitivities.

Key Rating drivers

Credit strengths:

- Long and established track record of the Company
- Vast experience of the promoters in auto-ancillary industry
- Increase in revenue

Credit Weaknesses

- Modest scale of operation
- Low profitability, moderate debt coverage indicators and stretched liquidity position
- Competitive nature of the industry
- Volatile raw material prices

Liquidity Profile:

The liquidity position of the Company is stretched as its current ratio is low. However, the Current liabilities are mainly in the form of Cash Credit utilisation. Further, the Company has cash and cash equivalents of Rs.1.56 Crs as on September 30, 2018.

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 AAIL's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

Akar Auto Industries Ltd. (Formerly known as Akar Tools Ltd.) is a Mumbai based public limited company incorporated on June 21, 1989. The Company is engaged in manufacturing of Hand Tools, Leaf Springs for major auto and non-auto OEMs and high quality precision engineered forging components. The Company has three manufacturing units in Aurangabad. Mr. R.L. Gupta is the Chairman and Mr. Sunil Todi is the managing director of the Company.

Financial Performance

During H1FY19, the Company has achieved Net sales of Rs.150.57 Crs and PAT of Rs.2.46 Crs as against Net sales of Rs.107.56 Crs and PAT of Rs.1.59 Crs in H1FY18.

In FY18, the Company had reported Net Sales of Rs.241.45 Crs and PAT of Rs.3.20 Crs.



Rating History for the last three years:

Sl. No.	Facility	Current Rating (November 2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	June 2018	Jan. 2017	2016
1	Fund based	Long Term	46.63	BWR BBB- (pronounced as BWR Triple B Minus) (Outlook:Stable) Reaffirmed	BWR BBB- (pronounced as BWR Triple B Minus) (Outlook:Stable) Reaffirmed	BWR BBB- (pronounced as BWR Triple B Minus) (Outlook:Stable) Assigned	Not Rated
2	Fund Based	Short Term	17.50	BWR A3 (Pronounced as BWR A Three) Reaffirmed	BWR A3 (Pronounced as BWR A Three) Reaffirmed	BWR A3 (Pronounced as BWR A Three) Assigned	
2	Non-Fund Based Bank Guarantee	Short Term	10.51				
			74.64	INR Seventy Four Crores Sixty Four Lakhs Only			

Status of Non cooperation with other CRA : Nil

Any other information : Nil

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Media
Ravindra Kumar General Manager- Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	



**Annexure I
Details of Rated Bank Facilities**

Bank	Name of Facility		Rated Amount (Rs. Crs)
Canara Bank	OCC/OBBD	Fund Based- Long Term	20.80
	Term Loan-I		2.74*
	Term Loan-II		11.75#
	Proposed Term Loan		11.34
	PC/PCFC	Fund Based- Short Term	12.50
	FDB/FBE		5.00
	ILC	Non-Fund Based Short Term	8.00
	BG		2.51
Total			74.64

*Outstanding

#Only Rs.5.07 Crs disbursement availed so far

**Annexure II
Key Financial Indicators**

	31.3.2018 Audited	31.3.2017 Audited
Total Operating Income (Rs. Cr)	241.45	189.73
EBITDA (Rs. Cr)	17.80	14.04
PAT (Rs. Cr)	3.20	2.62
Tangible Networth (Rs. Cr)	27.99	27.51
Total Debt:TNW (Times)	1.95	1.88
Current Ratio (Times)	1.09	1.08



For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.