

Rating Rationale

Akar Auto Industries Ltd (Formerly known as Akar Tools Ltd)

29 June 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 74.97 Crores of Akar Auto Industries Ltd (Formerly known as Akar Tools Ltd).

Particulars

Facility Rated	Amount (₹. Cr)		Tenure	Rating*	
	Previous	Present		Previous (Jan, 2017)	Present
Fund Based (FB)					
OCC/ODBD	16.80	20.80	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) (Outlook -Stable)	BWR BBB- (Pronounced as BWR Triple B Minus) (Outlook -Stable) (Reaffirmed)
PC/PCFC	12.50	12.50			
FDB/FBE	5.00	5.00			
Term Loan	4.19	3.07			
Working Capital (Proposed)	6.50	–			
New Term Loan	–	11.75			
Proposed Loan	–	11.34			
Non Fund Based (NFB)					
ILC	5.00	8.00	Short Term	BWR A3	BWR A3 (Reaffirmed)
LC (Proposed)	4.00	–			
BG	1.00	2.51			
Total Limits	54.99	74.97	(INR Seventy Four Crores and Ninety Seven Lakhs Only)		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial result upto FY18 and projected financials upto FY20, publicly available information and information/clarifications provided by the company's management.



The rating continues to factor, inter alia, long existence of the company, promoters extensive experience in the automobile industry and improved revenue. However, the rating is constrained by low networth, thin profit margins, stretched liquidity and competitive nature of the industry with exposure to volatility in raw material prices.

Going forward the ability of the company to achieve its projections, improve and maintain a healthy profit margin, liquidity ratio and service coverage ratio will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- Long track record of the company.
- Promoters experience over three decades in automobile industry.
- Well established relationship with customers and suppliers.

Credit Risks:

- Volatility associated with the raw material prices.
- Highly fragmented industry with presence of big players.
- Thin profit margins and stretched liquidity.

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 **Akar Auto Industries Ltd (Formerly known as Akar Tools 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

Akar Auto Industries Ltd (Formerly known as Akar Tools Ltd) is a public limited company was incorporated on 21st June 1989 situated in Walunj near Aurangabad. AAIL involved in manufacturing of hand tools, leaf springs to major auto and non-auto OEM's and high quality precision engineered forging componentes.

Mr. R. L. Gupta is the chairman of Akar Auto Industries Ltd and Mr. Sunil Todi is the managing director of the company.

Company Financial Performance

In FY18, company has achieved net sales of Rs. 241.45 Crs with a PAT of Rs. 3.20 Crs against net sales of Rs. 176.28 Crs with a profit of Rs. 2.62 Crs in FY17. Tangible net worth stood at Rs. 27.99 Crs in FY18.

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Net Sales	Rs. Crs	176.28	241.45
EBITDA	Rs. Crs	14.04	17.80
PAT	Rs. Crs	2.62	3.20
Tangible Net worth	Rs. Crs	27.51	27.99
Total Debt/Tangible Net worth	Times	1.88	1.95
Current Ratio	Times	1.08	1.09

Rating History for the last three years

Si No	Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	25 January 2017	2016	2015
Fund Based (FB)							
1	OCC/OBBD	Long Term	20.80	BWR BBB- (Outlook -Stable) (Reaffirmed)	BWR BBB- (Outlook -Stable)	-	-
2	PC/PCFC		12.50				
3	FDB/FBE		5.00				
4	Term Loan		3.07				
5	New Term Loan		11.75				
6	Proposed Loan		11.34				
Non Fund Based (NFB)							
7	ILC	Short Term	8.00	BWR A3 (Reaffirmed)	BWR A3	-	-
8	BG		2.51				
	Total Limits		74.97	(INR Seventy Four Crores and Ninety Seven Lakhs Only)			

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



Analytical Contacts	Media	
<p><i>Bala Krishna Piparaiya</i> <i>CGM-Ratings</i></p> <p>analyst@brickworkratings.com</p>	<p>media@brickworkratings.com</p> <th data-bbox="812 422 1440 487">Relationship Contact</th> <p>bd@brickworkratings.com</p>	Relationship Contact
<p>Phone: 1-860-425-2742</p>		

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 48,803 Cr have been rated.

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.