

## RATING RATIONALE

3 Jan 2020

### Aristocraft International Private Limited

**Brickwork Ratings upgrades/reaffirms the ratings for the Bank Loan Facilities of ₹ 17.80 Crores of Aristocraft International Private Limited**

#### Particulars:

Facility	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2019)	Present
Fund based	4.25	5.80	Long Term	BWR B+ Stable Downgrade Issuer Not Cooperating**	BWR BB- Stable Upgrade
Non Fund Based	16.50	12.00	Short Term	BWRA4 Downgrade Issuer Not Cooperating**	BWRA4 Reaffirm
<b>Total</b>	<b>20.75</b>	<b>17.80</b>	<b>INR Seventeen Crores and Eighty Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://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 ACTION / OUTLOOK

Brickwork Ratings has upgraded/reaffirmed the rating of Aristocraft International Private Limited for Long Term and Short Term Bank loan facilities as BWR BB-/A4 (Outlook: Stable). The rating takes into account the management's experience, financial risk profile, adequate liquidity and order position of the company.

However the rating is constrained by the small scale of operations, low profitability, risk of tender based business and downturn in the automobile sector. The rating has been assigned a 'stable' outlook as the company's performance and business risk profile is likely to be maintained in the medium term.

## KEY RATING DRIVERS

### Credit Strengths:

- **Qualified and Experienced Promoters:** The company is managed by Mr. Anshu Mittal, who graduated from one of the best colleges of commerce in the country. He has a rich experience of around three decades in the same line of business.
- **Moderate Financial Risk Profile:** Financial risk profile is moderate with comfortable gearing ratio (Total debt/TNW) of 0.50x and current ratio of 1.69 times in FY19. Debt protection metrics, with DSCR & ISCR of 2.24x & 2.43x respectively, indicates the ability of the company to service interest obligation comfortably.
- **Good order position in hand:** Healthy order book of around Rs.45.00 crore for its security thread manufacturing unit provides the revenue visibility in the medium term.

### Credit Risks:

- **Small scale of operations and low profitability:** The total operating income declined to Rs.8.72 Crs in FY19 from Rs.10.23 Crs in FY18. The net profit of the company has been very low since the last three fiscal. The small scale limits the company's financial flexibility in times of stress.
- **Exposure to Risk associated with tender based business:** AIPL's security thread division undertakes the projects awarded through open tendering, based on certain qualifying criteria set by ministry of finance and bids are also invited from global players. The printing of currency notes may also decline in future due to the government's thrust for digital transactions.
- **Highly regulated Security Thread business:** The security thread division is very sensitive to security and compliance. Any breach in compliance or change in features of bank notes may adversely impact the performance of the company.
- **Downturn in the Automobile sector:** Automobile sector is witnessing a slowdown in the current fiscal due to tight liquidity of the NBFCs and low demand from millennials. Auto sector of the country is facing one of the worst slowdown.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

**Positive:** BWR may upgrade the rating if the company is able to improve its scale of operations along with a significant improvement in profit margins.

**Negative:** The rating may be downgraded if there is a delay in debt servicing and decline in the operating income of the company.

## LIQUIDITY POSITION



Liquidity of the company is marked by cash & cash equivalents of Rs. 2.52 Crs, current ratio of 1.69 times and net cash accruals as a percentage of total debt at 16%. Debt protection metrics are moderate with DSCR & ISCR at 2.24x & 2.43 respectively. Overall liquidity of the company remains adequate with average utilization of Bank Loan limits at around 65-70%. Overall position of the liquidity is adequate.

## COMPANY PROFILE

Aristocraft International Pvt Ltd. (“AIPL” or “The Company”) was incorporated in 1976 in Faridabad. They are the Tier II suppliers of precision machined components and electrical sub assemblies in the automotive sector since 1994. They are also engaged in manufacturing of metalized magnetic thread used in currency notes. The manufacturing unit of security thread is located in Paonta Sahib (HP). AIPL is one of the very few security thread manufacturers, with its technologically advanced, complex and sophisticated production finishing and security systems.

## KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	Rs. Crores	8.72	10.23
EBITDA	Rs. Crores	0.90	0.26
PAT	Rs. Crores	(0.01)	0.02
TNW	Rs. Crores	8.04	8.04
Total Debt/TNW	Times	0.50	0.15
Current Ratio	Times	1.69	2.34

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY**

No Data Available

## RATING HISTORY

Instrument / Facilities	Current Rating			Rating History			
	Tenure	Amount (₹ Cr)	Rating	12 Aug 2019	25 Feb 2019	2018	23 Nov 2017
Fund Based	Long Term	5.80	<b>BWR BB-</b> Stable Upgrade	<b>BWR B+</b> Stable Downgrade Issuer Not Cooperating**	Rating moved to Not Reviewed Advisory	-	<b>BWR BB-</b> Stable
Non Fund Based	Short Term	12.00	<b>BWRA4</b> Reaffirm	<b>BWRA4</b> Downgrade Issuer Not Cooperating**			<b>BWRA4+</b>
Total		17.80	<b>INR Seventeen Crores and Eighty Lakhs Only</b>				

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to financial ratios](#)

[Short Term Debt](#)

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## Aristocraft International Private Limited

### ANNEXURE I

#### 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	OCC/ODBD	3.00	-	3.00
		Term Loan	2.80	-	2.80
		Bank Guarantee	-	12.00	12.00
		ILC/FLC	-	(8.00)	(8.00)
<b>TOTAL</b>					<b>17.80</b>

**Total Rupees Seventeen Crores and Eighty Lakhs only.**

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