

Rating Rationale

Aristocraft International Pvt Ltd.

23 November 2017

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 20.75 Crs of Aristocraft International Private Limited.

Particulars:

Facility	Amount (In Crs.)	Tenure	Rating Assigned*
Fund Based- Cash Credit	2.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus); Outlook: Stable
Fund Based- Term Loan	2.25		
Non Fund Based- ILC/FLC	10.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)
Non Fund Based- BG	4.5		
Non Fund Based- LOC	2.00		
Total	20.75 (Rs. Twenty Crores and Seventy Five Lacs Only)		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY17, projections up to FY19, publicly available information and information/clarifications provided by the company.

Rating derives comfort from the company's comfortable gearing, experience of the management in the business, long operational track record, adequate liquidity and well educated promoters. The Ratings also draw support from the diversified business segments of the company, higher margin levels in the security thread business and possibility of inclusion of company in Maruti Suzuki's supplier list for its automotive business from this year onwards.

The rating is, however, constrained by the company's exposure to the risk of tender based business, inability to earn operational profits during the last three years and dip in revenues in FY2017 in its automotive business. Furthermore, the company is a 100% family owned company and therefore it runs high on management risk.

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Key Rating Drivers:

Strengths:

- **Experienced Promoters and Management:** Aristocraft is promoted by Mr. Anshu Mittal, who has a first hand experience in running the company. His father, Late Mr. Bhagwat Prasad Mittal founded Aristocraft International in 1976. He was a seasoned businessmen who imparted the entrepreneurial spirit in his son. Having graduated from one of the finest colleges for commerce education in the country, Mr Anshu joined the family business in early 1990's and successfully lead entire business operations ever since.
- **Comfortable Gearing and adequate liquidity:** The company is operating at a comfortable gearing, high net worth and adequate liquidity. The projected debt metrics and coverage ratios of the business are in the acceptable range.
- **Previous Experience in supplying Security Threads for Bank Notes and Non-Judicial Stamp Papers to Govt of India:** As reported by the company, it has been supplying security threads for bank notes and non judicial stamp papers to the government of India from beginning 1990's till 2012.

Weakness:

- **High Risk in Future Cash Flows:** The cash inflows in the future are exposed to the risk of Tender based business. Any increase in number of qualified bidders can negatively affect the cash flows and the margins in the future.
- **Highly Regulated Security Thread Business:** The security thread business of currency notes is highly sensitive to security and compliance. The regulations are highly stringent and any breach in compliance can negatively affect the cash flows.
- **Shrinking Profit Margins in Automotive Business:** Net Profit margins are showing a constant decline for last three years. Non receipt of any business in security thread division is a major reason for falling profit margins.

About the Company:

Aristocraft International Pvt Ltd. 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.

Business lines of the company:

1. Security features for banknotes & documents with Manufacturing Location at Ponta Sahib, Himachal Pradesh.
2. Precision CNC Machined components for the Automotive Sector with Manufacturing Location in Faridabad.

Security Products Division:

The company has executed various contracts awarded by the ministry of Finance, Govt of India and its agencies, against global tenders. The company claims that they have pioneered the Security Thread Manufacturing technology in India and have a long history of two decades of serving the Security Paper Mill Hoshangabad, which is a unit of Security Printing & Minting Corporation of India Ltd., for their security materials requirement. The company has also entered into technical collaboration agreement with Papierfabrik Louisenthal, Germany, for machine readable security thread in 2005.

Automotive Components Division:

Aristocraft diversified into manufacturing precision components for the automotive sector in the early 1990's. They are a tier II supplier of precision components and electrical sub-assemblies to the automotive companies like Tata Motors, Volkswagen, Honda, Suzuki, General Motors etc. They have obtained ISO 9001:2008 (earlier ISO 9001:2000) certification for their operations in 2004, and now have obtained the mandatory TS 16949:2009 certification in 2017, to upgrade themselves as a qualified tier I supplier in automotive sector.

Major Products Manufactured in Automotive Components Division: Armature Hub, Core-Coil Assembly, Front-Housing, Cylinder Head etc.

The company claims to be in the Green zone of the Maruti Suzuki's suppliers list. The company is projecting that it would book significant increase in its automotive components sales in FY18.

Rating Outlook: Stable

BWR believes that **Aristocraft International Private Limited'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 company is able to achieve its projected sales, keeping gearing in the comfortable range. The rating outlook may be revised to 'Negative' if it is not able to achieve the projected sales. The inability of the company to meet the projected figures shall trigger the degradation of the rating assigned to the company.

Company's Financial Performance:

The company booked total operating income of Rs 9.07 Crores in FY17 as against Rs. 9.84 Crores in FY16. The PAT achieved by the company stands at Rs 0.01 Crores in FY17 as against 0.03 Crores in FY16.

Parameters	FY 2016(A) (Rs in Crores)	FY 2017(A) (Rs in Crores)
Total Operating Income	9.84	9.07
OPBDIT	0.48	0.18
PAT	0.03	0.01
Tangible Net Worth	8.02	8.02
Total Debt/TNW	0.03	0.02

Rating History for the last three years:

Facility	Rating Assigned in Nov'17			Rating History		
	Amount (Rs. In Crs)	Tenure	Rating	FY 16	FY 15	FY14
Fund Based- Cash Credit	2.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	NA	NA
Fund Based- Term Loan	2.25					
Non Fund Based- ILC/FLC	10.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)			
Non Fund Based- BG	4.50					
Non Fund Based- LOC	2.00					
Total	20.75	(INR Twenty Crores and Seventy Five Lacs Only)				

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)

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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 Investors queries can be sent to 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.

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