

Rating Rationale

Brickwork Ratings assigns “BWR BB/A4” (Outlook-stable) rating for the Bank Loan facilities aggregating to Rs.12.55 crs of Aditya Auto Engineering Pvt Ltd.

Brickwork Ratings (BWR) has assigned the following Ratings¹ for the Bank Loan Facilities of Rs. 12.55 crs of Aditya Auto Engineering Pvt Ltd (AAE or “Company”)

Facilities	Amount (Rs. Cr)	Tenure	Rating ¹
Fund Based Cash Credit	7.30	Long Term	BWR BB (Pronounced BWR Double B)
Fund Based Bills of Exchange	2.50		
Non-Fund Based Bank Guarantee	1.25		
Non-Fund Based Letter of Credit	1.50	Short Term	BWR A4 (Pronounced BWR A Four)
Total	12.55	(INR Twelve Crores and Fifty Five Lakhs Only)	

¹Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned.

BWR has essentially relied upon the audited financial results of the company up to FY16, projections of FY17 and FY18, publicly available information and information /clarifications provided by the management.

The rating draws strength from the experience of the promoters in the automobile industry, reputed clients, acquisition of new clients and receipt of orders from reputed Original Equipment Manufacturers (OEMs) thus mitigating the customer concentration risk. However, the ratings are constrained by company’s small scale of operations which declined in FY15 and FY16, low net worth and working capital intensive nature of business. The industry remains highly fragmented leading to intense competition and limited pricing flexibility.

Background:

Aditya Auto Engineering Pvt Ltd (AAE) was incorporated in the year 2009 as private limited company. The directors of the company have adequate experience in the same line of business. The company is involved in manufacturing of Motor Vehicle parts and Vehicle Bodies like Tippers, Trailers, Lorries, Cement Carriers, Granite Carriers, Water Tankers, Trailer Bulkers & Rigid Bulkers etc for OEMs. Apart from manufacturing, AAE also undertake body building job work for others.

Aditya Industries, a partnership firm, which was started by Mr. Gopal Reddy and Mr. Ramesh Reddy is involved in similar activities as of AAE is a group concern of AAE. This year company has proposed to merge Aditya Industries with M/s Aditya Auto Engineering Pvt Ltd.

Financial Performance:

As per audited financial statement of FY16, the company has reported total operating income of Rs. 17.72 crs and net profit of Rs. 0.15 crs. The company has projected revenues of Rs.50 crs for FY17 and has achieved Rs.32.04 crs for 8MFY17. The company has reported operating profit margin of 9.39% and net profit margin of 0.85% in FY16. Tangible net worth stood at Rs. 3.86 crs as on 31st March, 2016. The company has debt to equity ratio of 2.92 times in FY16.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward, the ability of the company to achieve projected sales and profitability growth while spreading its client base and maintain a favorable capital structure will remain the key rating sensitivities.

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