Rating Rationale

Brickwork Ratings assigns 'BWR BBB- (SO)' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 6.22 Cr of Aerospace Processing India Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Credit Facilities of ₹ 6.22 Cr of Aerospace Processing India Private limited

Facility	Amount (₹ Cr)	Tenure	Rating
Term Loan	3.22	Long Term	**BWR BBB- (SO)** (BWR Triple B Minus (Structured Obligation) (**Outlook: Stable**)
Cash Credit	2.5		
Letter of Credit	0.25	Short Term	**BWR A3** (BWR A Three)
Bank Guarantee	0.25		
Total	**6.22**		

The rating, inter alia, factors the qualified and experienced management with a long track record of the operations of parent company and its association with the established and reputed clientele worldwide, technical and design capabilities of the company, improving Debt-Equity Ratio, locational advantages of the firm and promoter's ability and track record of infusing equity as per the requirements of the company . The rating also factors the standby letter of credit encashable on demand furnished by Magellan Aerospace Corporation and the letter of comfort furnished by QuEST Global Manufacturing Private Limited. . The rating is, however, constrained by volatility of the raw material prices, low net profit margins coupled with moderate net worth & low DSCR.

BWR has essentially relied upon the audited financials upto FY2102-13, projections upto FY 2015-16, management discussions, publicly available information and clarifications provided by the firm.

Background:
APIPL was incorporated on July 2,2007 but commenced operations in 2009. APIPL is a joint venture between QuEST Global Manufacturing Private Limited(QGMPL) and Magellan Aerospace Corporation. The company is engaged in business of surface treatment, surface analysis, heat treatment, vacuum hardening, vacuum precipitation, vacuum brazing and electron beam welding of aerospace, automotive, industrial and engineering components in commercial, military and space sectors. The company has state of art capabilities and has obtained various certifications like AS9100 Certification, NADCAP Certification for Chemical Processing, Non Destructive Testing and Chemical Processing. It is one of the third party

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

facilities to be approved by Boeing in India and has also received approvals from Airbus, EATON, GE Aviation, Goodrich, HAL, Honeywell, Magellan, MOOG, SAAB, SABCA. The company is in sunrise industry, and with the given technical expertise available to it, the company can be expected to stabilize in some time.

Parent Profile:
Magellan Aerospace Corporation is an integrated leader selling products and services in the global aerospace industry. It also repairs and overhauls, tests, and provides aftermarket support services for engines, and engine structural components. Magellan's current focus is centered in Asia with supply development in India and China.

As on 31.12.2012, aerospace segment contributed 94% and power generation projects contributed 6% of their total revenues. For the year ended 31.12.2012, MAC's revenues stood at ₹ 4016.10 Cr and net profits at ₹ 332.28 Cr. The net worth of the company as on 31.12.2012, was at ₹ 1906.74 Cr (converted @ 1 CAD = 57 INR).

QuEST Global Manufacturing Private Limited(QGMPL) was set up in 2006 as an offshoot of QuEST Global Engineering. It is a qualified manufacturer of complex parts, sheet metal and assemblies for the aerospace industry . The Total Net Worth of the company stood at ₹ 34.82 Cr as on 31.03.2013.

Performance:
APIPL recorded a 46% increase in net sales from ₹ 4.02 Cr in FY2011-12 to ₹ 5.87 Cr in FY2012-13. During FY2012-13, around 80 per cent of the Firm's revenue was accounted by deemed exports and imports accounted for 64% of its total raw material cost. The Firm's PAT was at ₹ 0.02 Cr in FY2012-13 as against loss of ₹ 1.13 Cr in FY2011-12. The Firm's tangible net worth recorded an increase of 71% from ₹ 3.04 Cr in FY2011-12 to ₹ 5.23Cr in FY2012-13 because of the regular equity infusion by the promoters over the years. Total borrowings of the Firm stood at ₹ 4.99 Cr as on March 31, 2013 as against ₹ 6.96 Cr in FY2011-12.

Rating Outlook:
The Firm's ability to increase its scale of operations along with improvement in profitability margins, its ability to manage inventory levels, and continued support from its parent companies would be the key rating sensitivities.

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