



SMERA RATINGS LIMITED

Avlight Automotives Private Limited (AAPL)

*Rating
Rationale*

October 16, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.00	SMERA BBB-/Stable (Assigned)
Term Loans	12.22	SMERA BBB-/Stable (Assigned)
Working Capital Demand Loan	1.00	SMERA BBB-/Stable (Assigned)
Proposed	12.78	SMERA BBB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the above mentioned bank facilities of Avlight Automotives Private Limited (AAPL). The outlook is '**Stable**'. SMERA has consolidated the business and financial risk profiles of AAPL and Avlight Auto Components Private Limited (AACPL) together referred to as The Avlight Group. The consolidation is in view of the common ownership and operational linkages within the group.

The rating draws support from the group's experienced management, healthy financial risk profile and expected future revenue visibility going forward. The Manesar-based AAPL, part of the Avlight Group is engaged in the manufacturing of automotive lighting equipments, plastic moulded components and moulds. The group is headed by Mr. Anil Anand, Managing Director of the group who possesses over four decades of experience in the said line of business. The group benefits from its established long term relations with its key customers - Yamaha and Motherson Sumi and suppliers. Besides, Avlight's healthy financial risk profile is marked by gearing of 1.24 times and healthy interest coverage indicator of 7.28 times as on as on March 31, 2015 (refers to financial year, April 01 to March 31). Accordingly, the group's future revenues are expected to remain healthy and plans are on to expand the capacity of its Tamil Nadu plant which will result in future incremental revenues. SMERA believes the group will be able to generate consolidated revenues of Rs.350-400 crore for the next three years.

However, Avlight is exposed to funding risk since its bank facilities are yet to be sanctioned. Such delays or adverse bank terms may lead to time overruns in capacity expansion. Also, Avlight faces intense competition from other players in the automotive industry.

Outlook: Stable

SMERA believes that the group will continue to benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' in case the group registers better-than-expected growth in revenues and accruals, while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profitability or lengthening of its working capital cycle, resulting in deterioration in the debt coverage metrics.

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Rating Sensitivity factors

- Working capital management
- Sustained growth in revenue and profitability

About the Company

AAPL, incorporated in 1996, is a Manesar-based company promoted by Mr Anil Anand and Mr. Rajan Sharma. The company is engaged in the manufacturing of automotive lighting equipments, plastic moulded components and moulds. For FY2014–15, Avlight reported profit after tax (PAT) of Rs.4.91 crore on an operating income of Rs.288.03 crore, as compared with PAT of Rs.1.49 crore on an operating income of Rs.167.69 crore in FY2013–14. The group's net worth stood at Rs.14.11 crore as on March 31, 2015, as compared with Rs.7.26 crore a year earlier.

About the Group

AAPL and Avlight Auto Components Private Limited (AACPL) are part of the Avlight Group. AAPL is located at Manesar, Haryana and AACPL is located at Noida, Uttar Pradesh

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