

## Press Release

### Avlight Automotives Private Limited

April 3, 2018



#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 30.00 Cr.
<b>Long Term Rating</b>	SMERA BBB- / Negative (Rating Reaffirmed and outlook revised)

\*Refer annexure for details

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs. 30.00 crore bank facilities of Avlight Automotives Private Limited. The outlook is revised from '**Stable**' to '**Negative**'.

Avlight Automotives Private Limited (AAPL), is a Gurgaon-based company promoted by Mr. Anil Anand and Mr. Rajan Sharma. Part of the Avlight Group, the company is engaged in the manufacturing of automotive components for Yamaha India, Honda, Calsonic Kansei Motherson among others. Avlight Auto Components Private Limited (AACPL), a group company, is the tier-I supplier of wheel assemblies (for two-wheelers) to Yamaha.

#### **Analytical approach:**

SMERA has taken a consolidated view of the business and financial risk profiles of AAPL and AACPL owing to the common management, similarities in the lines of business and inter-company shareholding. The entities are together referred to as the 'Avlight Group' (AG).

#### **Key rating drivers**

##### **Strengths**

##### **Experienced management and long track-record of operations**

AG continues to benefit from its experienced management. Mr. Anil Anand (Managing Director) and Mr. Rajan Sharma (Joint Managing Director) possess more than three decades of experience in the aforementioned line of business. SMERA believes that AG will continue to leverage the promoters' longstanding relation with customers to achieve sustainable growth in its operating income.

##### **Comfortable financial risk profile**

The company has comfortable financial risk profile marked by net worth of Rs.10.82 crore as on 31 March, 2017 compared to Rs.10.74 crore as on 31 March, 2016. The gearing stood at 1.43 times as on 31 March, 2017 as against 1.24 times as on 31 March, 2016. The total debt of Rs.15.42 crore comprises term loan of Rs.6.33 crore from banks, working capital funds of Rs.5.95 crore and unsecured loans from related parties of Rs.3.14 crore as on 31 March, 2017. The Interest Coverage Ratio stood at 4.32 times in FY2017 as against 5.06 times in FY2016. The Debt Service Coverage Ratio stood at 1.48 times in FY2017 as against 1.65 times in the previous

year. The Net Cash Accruals stood at Rs.6.31 crore as against repayment obligation of Rs.1.49 crore in FY2017.

## Weaknesses

### Exposure to the inherent cyclical nature in the industry

The rating factors in the highly competitive and fragmented nature of the automotive components industry. Consequently, AG's operating profit margin continued to remain modest at 4.02 per cent in FY2017 as compared to 3.54 per cent in FY2016. SMERA believes that sustained improvement in AG's profitability margins over the medium term shall be instrumental in improving the group's credit risk profile. Moreover, the prospects of the group are linked to the overall growth of Yamaha Motor Company as AACPL sells 100 per cent of its products to Yamaha.

### Decline in consolidated operating income

SMERA takes note of the decline in consolidated operating income of the group to Rs.257.88 crore in FY2017 from Rs.267.11 crore in FY2016. This was mainly attributed to decline in the standalone operating income of AACPL to Rs.185.21 crore in FY2017 from Rs.194.33 crore in FY2016. However, AAPL's revenue was stable. The standalone operating income stood at Rs.72.67 crore in FY2017 from Rs.72.78 crore in FY2016. AG's ability to increase its scale of operations while maintaining its profitability margins shall be a key credit monitorable. AG's operating income shall remain susceptible to the inherent cyclical nature of the automobile industry. Any lower than expected offtake from customers will result in decline in operating cash flows and impact the credit matrices of the group.

### Outlook - Negative

SMERA believes that the outlook of AAPL will remain 'Negative' over the medium term due to continuous decline in key financial parameters. The rating may be downgraded in case of sustained decline in the revenue profile leading to low profitability and deterioration in the financial risk profile. Conversely, the outlook may be revised to 'Stable' if the company registers significant improvement in revenue while maintaining profitability.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	257.88	267.11	287.38
EBITDA	Rs. Cr.	10.36	9.45	6.84
PAT	Rs. Cr.	3.37	1.72	3.05
EBITDA Margin	(%)	4.02	3.54	2.38
PAT Margin	(%)	1.31	0.65	1.06
ROCE	(%)	26.69	27.88	26.06
Total Debt/Tangible Net Worth	Times	1.43	1.24	1.54
PBDIT/Interest	Times	4.32	5.06	6.47
Total Debt/PBDIT	Times	1.41	1.32	1.73
Gross Current Assets (Days)	Days	62	60	58

**Status of non-cooperation with previous CRA (if applicable):**

None

**Any other information:**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation- <https://www.smera.in/criteria-consolidation.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**<https://www.smera.in/criteria-complexity-levels.htm>**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
23-Feb-2017	Cash Credit	Long Term	6.00	SMERA BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	19.10	SMERA BBB- / Stable (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	4.90	SMERA BBB- / Stable (Reaffirmed)
16-Oct-2015	Cash Credit	Long Term	4.00	SMERA BBB- / Stable (Assigned)
	Term Loan	Long Term	12.22	SMERA BBB- / Stable (Assigned)
	Working Capital Demand Loan	Long Term	1.00	SMERA BBB- / Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	12.78	SMERA BBB- / Stable (Assigned)

**\*Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BBB- / Negative
Term loan	Not Applicable	Not Applicable	Not Applicable	19.10	SMERA BBB- / Negative
Proposed Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	4.90	SMERA BBB- / Negative

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**ABOUT SMERA**

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