

Press Release

Avlight Automotives Private Limited

June 27, 2019

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr. (Enhanced from Rs. 30.00 Cr.)
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Rating Reaffirmed, Assigned & Outlook revised)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 40.00 crore bank facilities **Avlight Automotives Private Limited** (AAPL). The outlook is revised from '**Negative**' to '**Stable**'.

The revision in outlook is on account of the group's ability to maintain stability in operating as well as financial risk profile.

AAPL was incorporated as a public limited company in 1996 by Mr. Anil Anand and Mr. Rajan Sharma and subsequently, changed its legal status to a private limited company. The company is engaged in manufacturing of auto components such as automotive lighting equipment, plastic injection components and plastic injection molds, to name a few.

AAPL is part of a business group comprising of Avlight Automotives Private Limited, Avlight Auto Components Private Limited (AACPL) and Avlight Plastic Components Private Limited (APCPL). AACPL is engaged in the manufacturing of wheel assemblies for two-wheelers and added manufacturing of brake assemblies as a new line of business.

Analytical Approach

Acuite has considered the consolidated view of business and financial risk profiles of the Avlight Automotives Private Limited (AAPL) and Avlight Auto Components Private Limited (AACPL) to arrive at this rating. The consolidation is in view of common management and significant financial linkages between the entities. The group is herein referred to as 'Avlight Group (AG)'. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The group was established in 1996 with the incorporation of AAPL by Mr. Anil Anand and Mr. Rajan Sharma. Further, AACPL was incorporated in 2013. The key promoters, Mr. Anil Anand and Mr. Rajan Sharma, possess more than two decades of experience in the aforementioned industry. Mr. Anil Anand has a prior experience with Yamaha Motor Company Limited (then, known as Escorts Yamaha Motor Limited) as well. Acuite believes that AG will continue to derive benefit from its experienced management and their longstanding relationship with customers will help them to achieve sustainable growth in the operating income.

- **Reputed clientele and long-standing relationship with customers**

AG benefits from its reputed clientele and has long-standing relationship of over two decades with its customers such as India Yamaha Motor Private Limited (IYMPL), Honda Motorcycle & Scooter India Private Limited and Eu-Matic to name a few. Acuite believes that the group will continue to benefit through the established relationships with its customers over medium term.

- **Moderate financial risk profile**

The financial risk profile of the group remained moderate marked by moderate net worth, debt protection metrics and coverage indicators. The net worth of group stood at Rs. 22.99 crore as on 31 March, 2019 (Provisional) as against Rs. 18.91 crore as on 31 March, 2018. The gearing (debt-equity) stood at 0.99 times as on 31 March, 2019 (Provisional) as against 1.18 times as on 31 March, 2018. The total debt of Rs. 22.82 crore as on 31 March, 2019 (Provisional) mainly comprises Rs. 5.21 crore of working capital borrowings, Rs.15.48 crore of term loans and Rs. 2.13 crore of unsecured loans. The coverage indicators are moderate marked by Interest Coverage Ratio (ICR) which stood at 5.85 times for FY2019 (Provisional) as against 6.35 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.34 times in FY2019 (Provisional) and 0.34 times in FY2018. Debt to EBITDA stood at 2.05 times in FY2019 (Provisional) as against 1.92 times in FY2018. Acuite believes that the financial risk profile of the group is expected to remain moderate backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

- **Moderate working capital management**

AG has moderate working capital operations marked by Gross Current Asset (GCA) of 66 days in FY2019 (Provisional) as compared to 56 days in FY2018. This is on account of debtors' collection period of 40 days in FY2019 (Provisional) as against 29 days in FY2018 and inventory holding period of 13 days in FY2019 (Provisional) as against 19 days in FY2018. However, current ratio of the group stood below average at 0.80 times as on 31 March, 2019 (Provisional) as against 0.86 as on 31 March, 2018. Acuite believes that the working capital operations of AG will continue to remain moderate on account of level of inventory to be maintained and the credit given to its customers.

- **Highly fragmented and competitive nature of the industry**

The rating continues to reflect the highly competitive and fragmented nature of the automotive components industry. Consequently, AG's operating profit margin continued to remain modest at 3.12 per cent in FY2019 (Provisional) as compared to 3.63 per cent in FY2018. Acuite believes that sustained improvement in AG's profitability margins over the medium term shall be instrumental in improving the group's business risk profile.

Liquidity position

The group has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 7.80 crore for FY2019 (Provisional) against no major debt obligations during the same period. The cash accruals of the group are estimated to remain in the range of around Rs. 8.55 crore to Rs. 11.22 crore during FY 2020-22 against debt repayment obligations ranging from Rs.2.40 crore to Rs.2.65 crore. The group's working capital operations are moderate marked by gross current asset (GCA) of 66 days for FY2019 (Provisional). The group maintains unencumbered cash and bank balances of Rs. 0.87 crore as on 31 March, 2019 (Provisional). The current ratio stood at 0.80 times as on 31 March, 2019 (Provisional). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that AG will maintain a 'Stable' outlook over the medium term on the back of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case

the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	345.10	305.08	257.89
EBITDA	Rs. Cr.	10.76	11.07	10.36
PAT	Rs. Cr.	4.37	4.23	3.37
EBITDA Margin	(%)	3.12	3.63	4.02
PAT Margin	(%)	1.27	1.39	1.31
ROCE	(%)	16.02	20.73	20.97
Total Debt/Tangible Net Worth	Times	0.99	1.18	1.05
PBDIT/Interest	Times	5.85	6.35	4.32
Total Debt/PBDIT	Times	2.05	1.92	1.40
Gross Current Assets (Days)	Days	66	56	68

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
April 03, 2018	Cash Credit	Long-Term	6.00	ACUITE BBB-/ Negative (Reaffirmed and outlook revised)
	Term Loan	Long-Term	19.10	ACUITE BBB-/ Negative (Reaffirmed and outlook revised)
	Proposed Working Capital Demand Loan	Long-Term	4.90	ACUITE BBB-/ Negative (Reaffirmed and outlook revised)

February 23, 2017	Cash Credit	Long-Term	6.00	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long-Term	19.10	ACUITE BBB-/ Stable (Reaffirmed)
	Proposed Working Capital Demand Loan	Long-Term	4.90	ACUITE BBB-/ Stable (Reaffirmed)
October 16, 2015	Cash Credit	Long-Term	4.00	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long-Term	12.22	ACUITE BBB-/ Stable (Assigned)
	Working Capital Demand Loan	Long-Term	1.00	ACUITE BBB-/ Stable (Assigned)
	Proposed Working Capital Demand Loan	Long-Term	12.78	ACUITE BBB-/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB-/ Stable (Reaffirmed & outlook revised)
Term Loan-I	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BBB-/ Stable (Reaffirmed & outlook revised)
Term Loan-II	Not Applicable	Not Applicable	Not Applicable	6.20	ACUITE BBB-/ Stable (Reaffirmed & outlook revised)
Term Loan-III	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB-/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.30	ACUITE BBB-/ Stable (Reaffirmed & outlook revised)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuите.in</p> <p>Charu Mahajan Rating Analyst - Rating Operations Tel: 011-4973 1313 charu.mahajan@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuите.in</p>

About Acuite Ratings & Research:

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