

Press Release

Avlight Automotives Private Limited

November 04, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 40.00 crore*
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

About the company

Avlight Automotives Private Limited (hereinafter referred to as 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 the manufacturing of auto components such as automotive lighting equipment, plastic injection components and plastic injection molds, to name a few. AAPL has two manufacturing units, one in Manesar and other in Chennai.

About the group

AAPL is part of a business group comprising of Avlight Automotives Private Limited, Avlight Auto Components Private Limited (AACPL), Avlight Altrustooling Private Limited (AATPL) and Avlight Plastic Components Private Limited (APCPL). AACPL was incorporated in 2003 and is engaged in the manufacturing of wheel assemblies for two-wheelers and added manufacturing of brake assemblies as a new line of business. AACPL is the holding company of AAPL with a shareholding of 54.28 per cent. It is an ancillary unit to India Yamaha Motor Private Limited (Yamaha-India) and sole suppliers of the complete motorcycle wheel assembly and Footrest Brake assembly for Yamaha-India for their manufacturing plant at Surajpur, Uttar Pradesh.

Avlight Altrustooling Private Limited was incorporated in the year 2019 and is engaged in the manufacturing of molds under the make in India initiative. It is a joint venture with ~60% shareholding held by Avlight group and balance 40% is held by the JV partner, Altrust Tooling Pte. Limited, Singapore. It caters to domestic and international clients by selling manufactured dies & molds.

Analytical Approach

Acuité has considered the consolidated view of business and financial risk profiles of the Avlight Automotives Private Limited (AAPL), Avlight Altrustooling Private Limited (AATPL) and Avlight Auto Components Private Limited (AACPL) to arrive at this rating. The consolidation is in view of a common line of business, 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

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

The group was formed in 1996 with the incorporation of AAPL by Mr. Anil Anand and Mr. Rajan Sharma, who have experience of more than two decades 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.

Owing to its established track record of operations and management experience, the group has booked the revenue of Rs. 258.55 crore in FY2020 (Prov.) as compared to Rs. 342.94 crore in FY2019 and Rs. 305.08 crore in FY2018. Further, AAPL has booked a revenue of Rs. 26.63 crore for the 6MFY2021 as on 30th September, 2020 (standalone).

Acuité believes that the group will continue to benefit from its established track record of operations, experienced management and long-standing relationships with its customers and suppliers.

- **Above-average financial risk profile**

The financial risk profile of the group is above-average marked by moderate net worth, healthy gearing, above average debt protection metrics and coverage indicators.

The net worth of the group is moderate, estimated at around Rs. 26.21 crore as on March 31, 2020 (Prov.). The net worth levels have seen significant improvement over the last three years through FY2020 on account of moderate profitability.

AG has followed a moderately conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.15 times and 4.38 times as on March 31, 2018, over the past three years. The leverage levels continue to remain healthy at 0.60 times as on March 31, 2020 (Prov.). The total debt of Rs. 15.88 crore as on 31 March 2020 (Prov.) comprised of long-term borrowings of Rs. 11.98 crores and working capital borrowings of Rs. 3.90 crores.

Moderate profitability has led to above-average debt coverage indicators of the AG marked by debt-service-coverage-ratio of 1.76 times as on 31st March, 2020 (Prov.) as against 2.82 times as on 31st March, 2019 and interest coverage ratio of 5.20 times as on 31st March, 2020 (Prov.) as against 6.27 times as on 31st March, 2019. Acuité believes that the financial risk profile of AG will continue to remain above-average on account of moderate profitability and net worth.

Weaknesses

- **Moderately intensive working capital operations**

AG has moderately intensive working capital requirements marked by lower current ratio and high working capital limits utilization. The current ratio of AG stood low at 0.72 times as on March 31, 2020 (Prov.) and the average cash credit utilization for the past eight months stood at ~95.28 per cent ended August, 2020. Gross current assets (GCA) stood at 61 days in FY2020 (Prov.) as compared to 55 days in FY2019. This is on account of debtors' collection period of 21 days in FY2020 (Prov.) as against 37 days in FY2019 and inventory holding period of 25 days in FY2020 (Prov.) as against 13 days in FY2019. Acuité expects the working capital operations of the AG to improve on account of the level of inventory to be maintained and the credit given to its customers.

- **Highly fragmented and competitive nature of industries**

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 3.36 per cent in FY2020 (Provisional) as compared to 3.19 per cent in FY2019. Acuité believes that sustained improvement in AG's profitability margins over the medium term shall be instrumental in improving the group's business risk profile.

Rating Sensitivity

- Significant deterioration in the scale of operations.
- Significant improvement in its working capital management.
- Improvement in profitability levels, thereby further improving group's debt coverage indicators.

Material Covenants

None

Liquidity: Adequate

AG has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The group has generated cash accruals of Rs. 6.60 crore for FY2020 (Prov.), while its maturing debt obligations were Rs. 3.00 crore for the same period. The group's working capital operations are moderately intensive, marked by Gross Current Asset (GCA) of 61 days for FY2020 (Prov.). The company maintains unencumbered cash and bank balances of Rs. 5.82 crore as on 31 March, 2020 (Prov.). The working capital limit of AG remains utilised at ~95.82 per cent in the last eight months till August 2020. The current ratio of the company stood at 0.72 times as on March 31, 2020 (Prov.). Acuité believes that the liquidity of the AG is likely to remain adequate over the medium term on account of healthy cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that AG will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry and long-standing relationships with its customers. 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 the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	258.55	342.94
PAT	Rs. Cr.	2.39	4.40
PAT Margin	(%)	0.92	1.28
Total Debt/Tangible Net Worth	Times	0.60	1.01
PBDIT/Interest	Times	5.20	6.27

Status of non-cooperation with other CRA

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27 June 2019	Cash Credit	Long term	6.00	ACUITE BBB-/ Stable (Reaffirmed and outlook revised)
	Term Loan I	Long term	8.50	ACUITE BBB-/ Stable (Reaffirmed and outlook revised)
	Term Loan II	Long term	6.20	ACUITE BBB-/ Stable (Reaffirmed and outlook revised)
	Term Loan III	Long term	4.00	ACUITE BBB-/ Stable (Assigned)
	Proposed Bank Facility	Long term	15.30	ACUITE BBB-/ Stable (Reaffirmed and outlook revised)
23 April 2018	Cash Credit	Long term	6.00	ACUITE BBB-/ Negative (Reaffirmed and outlook revised)
	Term Loan	Short term	19.10	ACUITE BBB-/ Negative (Reaffirmed and outlook revised)
	Proposed Working Capital Demand Loan	Short term	4.90	ACUITE BBB-/ Negative (Reaffirmed and outlook revised)
23 February 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)

***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)
Term Loan I	June, 2016	Not Applicable	March, 2023	3.42	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan II	October, 2017	Not Applicable	March, 2023	3.23	ACUITE BBB-/ Stable (Reaffirmed)
Working Capital Term Loan (earlier stated as Term Loan III)	July, 2020	8.00%	November, 2024	4.00	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan III	June, 2018	Not Applicable	March, 2024	2.24	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan IV	August, 2018	Not Applicable	March, 2021	1.62	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan V	November, 2019	Not Applicable	October, 2022	1.33	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan VI	January, 2020	Not Applicable	December, 2022	3.34	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan I	January, 2016	Not Applicable	December, 2020	0.07	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan II	January, 2016	Not Applicable	December, 2020	0.01	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan III	January, 2016	Not Applicable	December, 2020	0.07	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan IV	December, 2019	Not Applicable	December, 2020	0.58	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan V	March, 2020	Not Applicable	Not available	4.17	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan VI	June, 2020	Not Applicable	July, 2020	1.00	ACUITE BBB-/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.92	ACUITE BBB-/ Stable (Reaffirmed)

*Coupon rates are not mentioned as term loans are taken in foreign currency and carry mark-up over LIBOR.

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About Acuité Ratings & Research:

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