

Press Release

Avlight Automotives Private Limited

February 03, 2022



Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.15	ACUITE BBB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.16	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	39.84	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-
Total Withdrawn Quantum (Rs. Cr)	1.15	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.39.84 Cr. bank facilities of Avlight Automotives Private Limited (AAPL). The outlook is '**Stable**'.

Further, Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.0.16 Cr. bank facilities of Avlight Automotives Private Limited (AAPL). The outlook is '**Stable**'.

Acuite has also withdrawn the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.1.15 Cr. bank facilities of Avlight Automotives Private Limited (AAPL). The rating is being withdrawn on account of the request received from the company & the No Dues Certificate received from the banker as per Acuite's policy on withdrawal of ratings.

Rationale for reaffirmation of ratings

The rating continues to drive comfort from the extensive experience of the promoters in the line of business established relationships with its customer and supplier base, prominent location, improving business risk profile along with adequate liquidity position. The rating nonetheless remains constrained on account of below unity DSCR and current ratio, moderate financial risk profile, and the intense competition the group faces in the business.

About Company

Based out of Gurugram, Haryana, and incorporated in 1996, Avlight Automotives Private Limited (AAPL) is engaged in the business of Plastic Moulded Components, Moulds, and automotive lighting equipment. AAPL has manufacturing units in Manesar, Noida, and Chennai. Avlight Automotives Private Limited (AAPL) is a part of Avlight Group (AG), led by its Managing Directors Mr. Anil Anand and Mr. Rajan Sharma.

About the Group

AG is part of a business group comprising of Avlight Automotives Private Limited, Avlight Auto Components Private Limited (AACPL), and Avlight Altrustooling Private Limited (AATPL). AG is engaged in the manufacturing of multiple auto components for automobiles companies.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated view of business and financial risk profiles of 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 business and financial linkages between the entities. The group is henceforth referred to as Avlight Group (AG).

Key Rating Drivers

Strengths

Established track record of operations supported by improvement in the business risk profile

AG was established 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. The promoter Mr. Anil Anand has prior experience with Yamaha Motor Company Limited (then known as Escorts Yamaha Motor Limited) as well. AG counts several leading automobiles companies as its clients such as Yamaha India, Motherson Sumi, Royal Enfield, Maruti Suzuki, and Honda India as a Tier – 1/2 supplier for its products. AG has also diversified its clientele in the recent past while catering to entities operating in EV, Robotics, and LED equipment business.

AG's operating income has improved on a Y-O-Y basis on the back of reviving demand as reflected in its Operating income of Rs.270.26 Cr. in FY 2021 as against 259.03 Cr. in FY2020. The profitability indicators have similarly shown improvement with the Operating profit (EBITDA) margin of 3.14 percent in FY2021 as against 2.83 in FY2020.

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.

Locational Advantage

AG's manufacturing facilities are located automobile manufacturing at the hubs which has helped the company in maintaining operational efficiencies and timely completion of orders, this has, in turn, ensured the costs incurred are minimal. While initially, AG was significantly dependent on Yamaha India for the business, the diversification towards the needs of other OEMs has helped sustain the business risk profile and reduce the revenue concentration risk. Yamaha, which earlier contributed 100 percent to the revenue, currently, contributes ~40 percent. The group counts major Automobile players such as Maruti Suzuki, Honda, Royal Enfield, Motherson Sumi as its clientele as Tier – 1 and 2 suppliers. AG is further diversifying its customer base by catering to entities, which are into the EV, Robotics, and LED Segments.

The proximity to customer base and approval from big automobile players has provided a shield to AG while ensuring future business and poses an entry barrier for new entrants as customers availed cost benefits due to AG strategically located plant.

Weaknesses

Moderate financial risk profile

AG's financial risk profile stands moderate marked by moderate net worth, stable gearing, and above-average coverage indicators. The tangible net worth of AG stood at Rs.43.17 Cr. as on March 31, 2021. AG follows a moderately conservative financial policy as reflected with its stable Gearing (Debt to Equity) of 0.58 times as on March 31, 2021 and 0.60 times as on March 31, 2020. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) has nonetheless increased to 2.26 times as on March 31, 2021, as against 1.93 times as on March 31, 2020. Marginal improvement in profitability indicators has led to above-average debt coverage indicators of the AG marked by Debt Service Coverage Ratio (DSCR) of 1.09 times as on

March 31, 2021, as against 1.48 times as on March 31, 2020, and Interest Coverage Ratio (ICR) of 5.27 times as on March 31, 2021, as against 4.54 times as on March 31, 2020.

Moderate working capital operations

AG has moderate working capital management marked by a lower current ratio and moderate working capital limits utilization. The current ratio of AG stood low at 0.85 times as on March 31, 2021, and the average cash credit utilization for the past 6 month period ended December 2021 stood at ~80 percent. Gross current assets (GCA) stood at 79 days in FY2021 as compared to 57 days in FY2020. This is on account of elongation in its debtors' collection period of 48 days in FY2021 as against 27 days in FY2020, while the inventory holding period improved marginally to 20 days in FY2021 as against 23 days in FY2020.

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 3.14 percent in FY2021 as compared to 2.83 percent in FY2020.

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 Sensitivities

- Significant improvement in scale of operations, while maintaining its profitability margins.
- A slowdown in demand leading to deterioration in the working capital cycle and stress on the debt protection metrics or the liquidity position of the entity.

Material Covenants

None

Liquidity Position: Adequate

AG has an adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. The group has generated cash accruals of Rs.6.34 crore for FY2021, while its maturing debt obligations were at Rs.6.29 crore for the same period. AG's working capital management stands moderate, marked by Gross Current Asset (GCA) of 79 days for FY2021. The company maintains unencumbered cash and bank balances of Rs.2.25 crore as on March 31, 2021. The working capital limit of AG remains utilized at ~80 percent in the 6 month period ended December 2021. The current ratio of the company stood at 0.85 times as on March 31, 2021.

Outlook: Stable

Acuité believes that AG will maintain a 'Stable' outlook in the near to medium term on account of its stable business risk profile supported by its established position in the market and reputed customer profile. The outlook may be revised to 'Positive' if the entity registers higher-than-expected growth in its scale of operations, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the entity registers a significant decline in revenues or profitability indicators or if the financial risk profile deteriorates due to a higher-than-expected increase in debt-funded capex/requirements or working capital requirements resulting in deterioration in the overall capital structure.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	270.26	259.03
PAT	Rs. Cr.	2.10	0.98
PAT Margin	(%)	0.78	0.38
Total Debt/Tangible Net Worth	Times	0.58	0.60
PBDIT/Interest	Times	5.27	4.54

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

Not Applicable

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Nov 2020	Term Loan	Long Term	1.62	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.07	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.33	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.34	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.23	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	8.92	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.58	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.24	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.01	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.42	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.17	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.07	ACUITE BBB- Stable (Reaffirmed)
27 Jun 2019	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	15.30	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	8.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.20	ACUITE BBB- Stable (Reaffirmed)
03 Apr 2018	Cash Credit	Long Term	6.00	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	19.10	ACUITE BBB- Negative (Reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	4.90	ACUITE BBB- Negative (Reaffirmed)
23 Feb 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)
		Long		ACUITE BBB- Stable

16 Oct 2015	Cash Credit	Term	4.00	(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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	17.20	ACUITE BBB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	30-06-2020	10.20	10-07-2022	0.35	ACUITE BBB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	21-09-2021	10.50	15-09-2025	0.16	ACUITE BBB- Stable Assigned
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	30-06-2020	2.95	10-07-2022	4.17	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	16-06-2018	3.90	31-03-2024	1.34	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	17-06-2016	4.86	31-03-2023	1.51	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	25-10-2017	4.02	31-03-2023	1.43	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	28-08-2018	4.30	30-06-2024	0.94	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	08-11-2019	5.19	31-10-2024	0.79	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	29-01-2020	4.68	31-12-2025	2.78	ACUITE BBB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.07	ACUITE BBB- Reaffirmed & Withdrawn
TATA Capital Financial	Not	Term Loan	Not	Not	Not	0.01	ACUITE BBB- Reaffirmed

Service Ltd.	Applicable		available	available	available		& Withdrawn
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.07	ACUITE BBB- Reaffirmed & Withdrawn
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	1.00	ACUITE BBB- Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Working Capital Term Loan	02-07-2020	8.62	30-11-2024	3.33	ACUITE BBB- Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)**

- Avlight Automotives Private Limited (AAPL)
- Avlight Altrustooling Private Limited (AATPL)
- Avlight Auto Components Private Limited (AACPL)

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