

Press Release

Avlight Automotives Private Limited

May 04, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

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

Rationale for Rating Action

The rating on AAPL takes into account the growth expected in the operating income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations. These strengths are, however, partly offset by the moderate working capital operation and High Utilization of Working capital limits.

About Company

Avlight Automotives Pvt Ltd.(AAPL), incorporated in 1996, is engaged in manufacture of Plastic Moulded Components, Moulds and automotive lighting equipments having its plants in Manesar(Haryabna) and Chennai (Tamil Nadu), Avlight Auto Components Pvt Ltd., is engaged in manufacture of Motorcycle wheel assemblies since 2013, with its plant in NOIDA (U.P.) and Avlight Altrustooling Pvt Ltd with its plant in Manesar (Haryana) is engaged in manufacture of Moulds for automotive sector since 2020.

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

Acuite 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 four 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 lighting system for automobiles.

Locational Advantage

AG's manufacturing facilities are located near automobile manufacturing 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 lighting system for automobiles. 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 plants.

Augmentation in Business risk profile

Avlight Group's operation improved which is apparent from growth in consolidated revenue from operations by ~24% in FY2022 to 334.18 crore as against Rs. 268.69 crore for FY2021. (improved by ~ 30 percent over the last three years FY 20 to FY 22). The increase in revenue is attributable to growing demand of automobile sector. Furthermore, the group has recorded revenue of Rs ~365 crore till Dec 2022. The operating profit margin of the group remains stable (minuscule improvement of 6 bps in FY 22). Operating Profit Margin of group stood at 3.26% in FY2022 as against 3.20% in FY2021. Furthermore, the net profit margin of the group also improved by 6 bps and stood at 0.85 percent in FY2022 as against 0.79 percent in FY2021. ROCE of the group stood at 14.98 times in FY2022.

Weaknesses

Financial Risk Profile- Moderate

AG has Moderate financial risk profile marked by Moderate net worth and comfortable debt protection metrics. AG's net worth stood at Rs. 29.88 Cr as on 31st March 2022 as against Rs. 27.24 Cr as on 31st March 2021. Group follows conservative leverage policy. Gearing levels (debt-to-equity) improved and stood at 0.78 times as on March 31, 2022 as against 0.87 in FY 2021. Improvement in Gearing Ratio in FY 22 is on account of profit accretions and repayment of debt. The total debt outstanding of the group is Rs. 23.30 crore as on 31 March, 2022 which consists of long term bank borrowings of Rs.8.34 crore, short term working capital limit of Rs. 7.94 crore and current maturities of long term Debt Rs 6.78 crore.

Further, the interest coverage ratio stood strong at 6.30 times for FY2022 as against 5.28 times in FY2021. Debt Service coverage ratio stood moderate at 1.06 times for FY2022 as against 1.09 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 3.45 times as on FY2022 vis-à-vis 3.47 times as on FY2021. However, Debt-EBITA stood at 2.11 times as on 31st March 2022 as against 2.70 times as on 31st March 2021. The Net Cash Accruals to Total debt stood at 0.32 times as on FY2022 and 0.27 times for FY2021. The financial risk profile of the

group is expected to remain comfortable in near terms as the company do not have any new capex plan in the short term period.

Working capital operations- Moderate

Group has moderate working capital requirements as evident from gross current assets (GCA) of 76 days in FY2022 as compared to 78 days in FY2021. Debtor days stood stable to 46 days in FY2022 (45 days in FY2021). Inventory days stood at 22 days in FY2022 as against 20 days in FY2021. The working capital limits are utilized at ~90 per cent during the last twelve months ended March 23. Current ratio of group stood low at 0.87 times as on March 31, 2022. Debtor days in FY 22 moderated due to delay in receipts from customers, which in turn led to higher creditors days.

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 Stretched

Group has stretched liquidity marked by net cash accruals to its maturing debt obligations, high limit utilization with low current ratio. Group generated cash accruals of Rs. 7.44 crore for FY2022 as against obligations of Rs. 6.96 crore for the same period. Current Ratio stood at 0.87 times as on 31 March 2022 as against 0.89 times in the previous year. Bank Limit utilization in last twelve months ended March 23 ~90% leaving no additional cushion to company to meet contingencies. Cash and Bank Balances of group stood low at Rs 0.45 crore. The liquidity of the group is expected to improve with company expected to generate cash accruals in the range of Rs. 12 Cr. against repayment of ~Rs. 6 Cr. and the unencumbered cash and bank position and FD will also support the liquidity of the company.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	334.18	268.69
PAT	Rs. Cr.	2.85	2.12
PAT Margin	(%)	0.85	0.79
Total Debt/Tangible Net Worth	Times	0.78	0.87
PBDIT/Interest	Times	6.30	5.28

Key Financials (Consolidated)

PS: FY 22 and 21 adjusted for Interparty transactions

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Feb 2022	Term Loan	Long Term	0.16	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	0.35	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.33	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.07	ACUITE BBB- (Withdrawn)
	Proposed Bank Facility	Long Term	17.20	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.51	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.43	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.94	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.79	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.34	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.78	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.17	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.07	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	0.01	ACUITE BBB- (Withdrawn)

04 Nov 2020	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)
	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)
		Long		ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.50	ACUITE BBB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.73	ACUITE BBB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.13	ACUITE BBB- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.24	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.73	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.67	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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