

Press Release

ADITYA AUTO INDUSTRIES

February 21, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 10.00 crore bank facilities of ADITYA AUTO INDUSTRIES. The outlook is '**Stable**'.

Aditya Auto Industries based in Greater Noida (Uttar Pradesh) is a proprietorship concern established in the year 2003. It is engaged in the manufacture of Sheet metal components and plastic components for consumer durables such as parts for microwave ovens, washing machines and refrigerator. The firm has two plants located in Greater Noida (Uttar Pradesh) and Dehradun. The firm has two group entities viz Aditya Thermopack Private Limited and Aditya Metal Coat Private Limited.

Key Rating Drivers

Strengths

- Experienced management**

The promoter Mrs. Neetu Rajput has been in the same line of business for more than a decade. The firm is however managed by her husband Mr. Sanjay Rajput who has extensive experience for more than two decades in the industry he is also managing the affairs of other two group entities.

- Reputed Clientele**

The firm caters to reputed clients including LG Electronics India Private Limited and Honeywell India. Firm has established relations of over 10-12 years with LG which helps in getting repeat orders. However there is high client concentration risk with top 5 customers accounting for more than 85% of the total revenue.

Weaknesses

- Moderate financial risk profile**

AAI has moderate financial risk profile marked by tangible net worth of Rs. 12.41 crore as on 31 March 2017 as against Rs. 10.07 crore as on 31 March 2016. The adjusted gearing stood at 1.61 times as on 31 March 2017 as against 2.17 times as on 31 March 2016. Total debt of Rs. 20.15 crore consists of term loans of Rs. 10.01 crore, working capital borrowings of Rs. 10.01 crore and unsecured loans of Rs. 0.14 crore from promoters/directors as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 1.81 times for FY2017 as against 1.98 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.45 times as on 31 March 2017 as against 3.17 times as on 31 March 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times in FY2017 i.e at the same level as at the end of previous FY.

- Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 277 days in FY2017 as against 257 days in FY2016. The GCA days are mainly contributed by high inventory days of 157 in FY2017 which increased from 136 in FY2016. The average cash credit utilisation for the past six months was ~90-95 percent. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Competitive and fragmented industry

AAI operates in a highly competitive and fragmented industry characterised by large number of unorganised players which impact the margins. unorganised players which impact the margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AAI to arrive at the rating

Outlook: Stable

SMERA believes AAI will maintain a 'Stable' business risk profile in the medium term on account of its experienced management and reputed clientele. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely the outlook will be revised to 'Negative' in case of significant decline in firm's revenue and profitability or further deterioration in working capital position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.63	44.32	45.16
EBITDA	Rs. Cr.	5.63	5.94	5.89
PAT	Rs. Cr.	1.25	1.52	1.49
EBITDA Margin	(%)	12.91	13.40	13.04
PAT Margin	(%)	2.86	3.44	3.31
ROCE	(%)	13.40	13.94	27.08
Total Debt/Tangible Net Worth	Times	1.62	2.25	2.58
PBDIT/Interest	Times	1.81	1.98	2.04
Total Debt/PBDIT	Times	3.57	3.80	3.96
Gross Current Assets (Days)	Days	277	257	222

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

CARE, vide release dated November 10, 2017 has suspended the ratings of AAI on account of lack of adequate information required for monitoring of ratings.

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>
- 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)

Not Applicable

*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	8.80	SMERA BB+ / Stable

Proposed	Not Applicable	Not Applicable	Not Applicable	1.20	SMERA BB+ / Stable
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ABOUT SMERA

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