

## Press Release

**Afex Technologies Private Limited**

May 10, 2018

**Rating Assigned**



<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Long Term Rating</b>	SMERA B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.20.00 crore bank facilities of Afex Technologies Private Limited (ATPL). The outlook is '**Stable**'.

Afex Technologies Private Limited, incorporated in July, 2016 is promoted by Mr. K.R. Sundaresan and Mr. S.Kannan. The company will manufacture machined aluminum die casting at Trichy (Tamil Nadu). ATPL is expected to begin commercial operations in May, 2018. The company has plansto create a facility with 6 die casting machines. The machines would be imported from Hicom Honda Engine Manufacturing Plant in Malaysia and Die Casting Facility in Tokyo, Japan.

### Key Rating Drivers

#### **Strengths**

- **Experienced management**

The promoters have been in the auto industry for three decades now. Mr. K.R. Sundaresan had been a part of Sargam group (auto ancillary) in Chennai and Mr. Kannan Selvaraj has experience of running aluminum alloy wheel plant in France. Prior to this venture, Mr. K.R. Sundaresan was involved with setting up of greenfield companies, namely, Magal Engineering Tech, Sameta Metalpro, Absolute Abode to name a few.

- **Proximity to rawmaterials**

The main raw material is aluminum alloy. The supply of aluminum will come mostly from the local suppliers based out of Chennai such as CMR metals, Sargam metals, Perfect alloy, IMAC to name a few. This would reduce the transportation cost of raw materials.

#### **Weaknesses**

- **Project implementation risk**

The total project cost to install the unit stands at Rs.23.68 crore to be financed by way of equity share capital of Rs.6.68 crore and term loan of Rs.16.80 crore. The commercial production of the unit is expected to start by May, 2018 with 70 percent capacity utilisation in the first year, 80 percentin the second year and 90 percent in the third year. The project is in the initial stage with land already acquired,machinery from Malaysia has been imported and equity of Rs.7.00crorealready available to the company. The machining unit is expected to be commissioned by May, 2018 while die casting is expected by October, 2018 but the risk related to time and costsoverrun still exists.

- **Raw material price fluctuation**

Due to geo-political issues, the aluminum price has been increasing andneared 8-year high. This might impact the margins of the company. The ability to pass on the price escalation to the customers would be a key sensitivity.

- **Intense competition**

The company will be engaged in manufacture of die casting parts with intense competition from small

players. Since these companies generally cater to large players, they have low bargaining power over pricing and further would cap the growth and margins of the company.

### Analytical Approach

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

### Outlook: Stable

SMERA believes the outlook on ATPL will remain 'Stable' over the medium term on account of the experienced management in the auto ancillary industry. The outlook may be revised to 'Positive' in case of timely completion of the project without cost overruns. Conversely, the outlook may be revised to 'Negative' in case of inordinate project delays.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	0.00	0.00	0.00
PAT	Rs. Cr.	0.00	0.00	0.00
EBITDA Margin	(%)	0.00	0.00	0.00
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	0.00	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	0	0	0

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

Not Applicable

### 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>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.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. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	15.32	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.25	SMERA B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.43	SMERA B / Stable

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