

Press Release

Aeronav Industrial Safety Appliances

June 28, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 7.50 crore bank facilities of Aeronav Industrial Safety Appliances. The outlook is '**Stable**'.

Established in 1996, Aeronav Industrial Safety Appliances (AISA) is engaged in manufacturing of high precision technical garments (Flame Resistant Protective Wear, Winter Jackets, NATO Suits, etc) and other equipments (Boots, Rucksacks, etc) for Indian Military. The promoter Mr. Sandeep Hora has industry experience of around 3 decades. The firm caters to Indian Armed Forces, Ministry of Home Affairs, NCC Directorate, etc.

Key Rating Drivers

Strengths

- **Experienced management in technical textile industry**

The partner, Mr. Sandeep Hora possesses significant experience in technical textile industry for almost 3 decades. The firm can bid for any orders upto Rs. 500.00 crores from Government of India. AISA has an order book of Rs 8.80 crore in hand to be executed in four months and is expected to get some additional orders in near term.

- **Long association with government agencies**

Established in 1996, AISA has executed orders for customers like Indian Armed Forces, Ministry of Home Affairs, Ordnance Clothing Factories, NCC Directorate, Defence Research and Development Labs etc for supplying Specialized Protective Technical Garments and Protective Equipments. With the promoter's extensive industry experience and timely execution of orders, the firm has been able to establish long-standing relations with clients.

- **Healthy working capital operations**

AISA has healthy working capital cycle marked by gross current assets (GCA) of 86 days in FY2017. This is on account of debtor days of 54 days in FY2017 and inventory holding of 12 days in FY2017. The average cash credit utilization stood at 15 per cent for the six months ended 31 May, 2018.

- **Comfortable financial risk profile**

AISA has comfortable financial risk profile marked by net worth of Rs.4.04 crore as on 31 March, 2017 as compared to Rs. 2.97 crore a year earlier. The gearing stood comfortable 0.07 times as on 31 March, 2017 on account of significantly low debt comprising term loan of Rs. 0.28 crore. The interest coverage ratio stood healthy at 11.38 times in FY2017. The net cash accrual by total debt (NCA/TD) stood at 3.56 times in FY2017. The debt to service coverage ratio (DSCR) stood at 8.91 times in FY2017. Acuité expects the firm to continue its healthy risk profile in the medium term. Further the firm's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

Weaknesses

- **Modest scale of operations due to tender based business**

The operations of the firm are moderate despite the firm being in the line of business for more than two decades. The company generates its revenue majorly from the government orders. The revenue

stood at Rs. 25.05 crore for FY2017 as compared to Rs.30.28 crore for FY2016. The nature of business is tender based. However, the company has booked revenue of Rs. 37.53 crore for FY2018 (Provisional). Going forward, the ability of the company to bid for large orders and qualify for the same remains to be seen. Also, the promoter's experience and relations with clientele, partially mitigates this risk.

• Risk associated with volatility in raw material prices and forex rates

AISA operates in technical textile industry where raw materials are specialized flame resistant, anti-static and breathable materials. These fabrics are imported from Singapore, China and Taiwan. Prices of same are exposed to market fluctuations which create risk associated with fluctuation of raw material prices and forex rates.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AISA to arrive at the rating.

Outlook: Stable

Acuité believes that the outlook on AISA's rated facilities will remain stable over the medium term on account of its established presence and experienced promoters in the technical textile industry. The outlook may be revised to 'Positive' if the company registers significant growth in revenue and profitability while maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of company registers stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.05	30.28	21.18
EBITDA	Rs. Cr.	1.24	0.72	0.64
PAT	Rs. Cr.	0.67	0.39	0.32
EBITDA Margin	(%)	4.97	2.37	3.03
PAT Margin	(%)	2.68	1.28	1.53
ROCE	(%)	30.08	24.17	53.48
Total Debt/Tangible Net Worth	Times	0.07	0.03	0.16
PBDIT/Interest	Times	10.28	18.46	10.64
Total Debt/PBDIT	Times	0.22	0.14	0.41
Gross Current Assets (Days)	Days	86	39	48

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	4.00	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+

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About Acuité Ratings & Research:

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