

Press Release

Aaress Enterprises

August 30, 2018

Rating Assigned



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

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 10.00 crore bank facilities of Aaress Enterprises. The outlook is '**Stable**'.

Aaress Enterprises is a partnership firm formed in 2011 by Mr. Ricky Bhasin and Mr. Pran Bhasin. The firm is engaged in manufacturing of precision machine components and sheet metal. The manufacturing facilities of the firm are based in Faridabad (Haryana).

Key Rating Drivers

Strengths

- **Healthy financial risk profile**

The financial risk profile is average marked by moderate network, comfortable gearing and healthy debt protection measures. The network levels of the company stood at Rs.6.50 crore in FY2018 (Provisional) as compared to Rs.5.66 crore in FY2017. The gearing stood at 1.19 times in FY2018 (Provisional) as against 1.00 times in FY2017. The total debt of Rs.7.76 crore consists of term loans of Rs.0.19 crore, unsecured loans of Rs.1.25 crore and short term facilities of Rs.6.32 crore in FY2018 (Provisional). The interest coverage ratio stood at 2.23 times in FY2018 (Provisional) as against 2.11 times in FY2017. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.10 times in FY2018 (Provisional) as against 0.13 times in FY2017.

Weaknesses

- **Moderate scale of operations**

The moderate scale of operations is marked by operating income of Rs.27.18 crore in FY2018 (Provisional) as against Rs.21.22 crore in FY2017. Acuite believes the ability of the firm to increase scale of operations will be a key monitorable.

- **Fragmented and competitive nature of industry**

The firm will operate in an intensely competitive and fragmented automotive ancillary industry with several organized and unorganized players present in the market.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of AARESS ENTERPRISES to arrive at the rating.

Outlook: Stable

Acuite believes the outlook on AARESS ENTERPRISES will remain 'Stable' over the medium term backed by the healthy financial risk profile of the firm. The outlook maybe revised to 'Positive' in case of sustained increase in operating income. Conversely, the outlook maybe revised to 'Negative' in case of deterioration in scale of operation or a decline in the financial risk profile of the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.18	21.22	20.25
EBITDA	Rs. Cr.	1.46	1.41	1.68
PAT	Rs. Cr.	0.46	0.37	0.42
EBITDA Margin	(%)	5.37	6.62	8.27
PAT Margin	(%)	1.70	1.75	2.06
ROCE	(%)	8.74	9.89	24.95
Total Debt/Tangible Net Worth	Times	1.19	1.00	0.94
PBDIT/Interest	Times	2.23	2.11	2.12
Total Debt/PBDIT	Times	5.32	4.01	2.79
Gross Current Assets (Days)	Days	192	295	201

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

Not Available

Any other information

Not Available

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	6.25	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.55	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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