

## Press Release

### Aureole Inspects India Private Limited

August 30, 2018

### Rating Assigned



|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 10.00 Cr.              |
| <b>Long Term Rating</b>             | ACUITE B / Outlook: Stable |
| <b>Short Term Rating</b>            | ACUITE A4                  |

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10.00 crore bank facilities of Aureole Inspects India Private Limited. The outlook is 'Stable'.

Aureole Inspects (India) Private Limited (AIPL) a Delhi based company was incorporated in 2002 by Mr. Vineet Sharma, Mrs. Amrita Khurana Sharma, Mr. Christopher Brian Davidson Smith, Mr. Vivek Kak. The company is MSME registered and is engaged in manufacturing of Snow Goggles, All-terrain goggles, fashion eyewear amongst others. The company sells 90 percent of its products to Indian Defence and 10 percent through e-commerce websites like Jabong, Flipkart, Myntra to name a few.

## Key Rating Drivers

### Strengths

#### • Experienced Management

AIPL is promoted by Mr. Vineet Sharma, Mrs. Amrita Khurana Sharma, Mr. Christopher Brian Davidson Smith, Mr. Vivek Kak. The directors of the company possess an experience of over two decades in the aforementioned line of business. Acuite believes that AIPL will benefit from its established position in the said business, experienced management and established relationships with customers and suppliers.

#### • Improving revenue and profitability

The revenues improved to Rs.8.24 crore in FY2018 from Rs.6.47 crore in FY2017. The EBITDA margins of the company improved substantially to 15.68 percent in FY2018 from 9.82 percent in FY2017. The PAT margins also increased in line to 8.34 percent in FY2018 from 8.17 percent in FY2017. AIPL has moderate order book position marked by current orders in hand of Rs. 15.00 crore as on July 2018 which gives the revenue visibility to the company in the near to medium term.

### Weaknesses

#### • Average Financial Risk Profile

AIPL has average financial risk profile marked by tangible net worth of Rs.7.33 crore as on 31 March, 2018 as against Rs.6.63 crore as on 31 March, 2017. The gearing stood at 0.70 times as on 31 March, 2018 as against 0.54 times as on 31 March, 2017. The debt of Rs.5.14 crore mainly consists of term loans of Rs. 0.22 crore and working capital borrowings of Rs.4.92 crore as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 3.42 times for FY 2018 as against 3.79 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 2.60 times for FY 2018 as against 3.09 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.39 times as on 31 March, 2018 as against 0.79 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31 March, 2018 as against 0.17 times as on 31 March, 2017. Going forward, Acuite expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

#### • Working capital intensive operations

AIPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 584 days in FY2018 compared to 492 days in FY2017. The GCA days are mainly dominated by high debtor days of 453 days in FY2018 compared to 215 days in FY2017. The average cash credit utilization for the past

six months stood at ~95 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

#### • High dependence on government orders

The company operates in a highly competitive and fragmented industry. 90 percent of the operations are tender-based, hence the business is dependent upon the quantum of revenue earned, contracts bagged and executed during the year. The company largely caters to government organisations exposing itself to customer concentration risk. Acuite believes this risk will be mitigated by company's ability to bid successfully for the tenders.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Aureole Inspects India Private Limited to arrive at the rating

#### Outlook: Stable

Acuite believes AIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

#### About the Rated Entity - Key Financials

|                               | Unit    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 8.24          | 6.47          | 4.68          |
| EBITDA                        | Rs. Cr. | 1.29          | 0.64          | 0.40          |
| PAT                           | Rs. Cr. | 0.69          | 0.53          | 0.24          |
| EBITDA Margin                 | (%)     | 15.68         | 9.82          | 8.54          |
| PAT Margin                    | (%)     | 8.34          | 8.17          | 5.17          |
| ROCE                          | (%)     | 12.40         | 10.86         | 7.70          |
| Total Debt/Tangible Net Worth | Times   | 0.70          | 0.54          | 0.47          |
| PBDIT/Interest                | Times   | 3.42          | 3.79          | 2.07          |
| Total Debt/PBDIT              | Times   | 3.17          | 3.16          | 3.40          |
| Gross Current Assets (Days)   | Days    | 584           | 492           | 582           |

#### 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 | 2.95                        | ACUITE B / Stable |
| Proposed Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 4.05                        | ACUITE B / Stable |
| Letter of credit       | Not Applicable   | Not Applicable | Not Applicable | 3.00                        | ACUITE A4         |

\*There is interchangeability from FB to NFB of Rs.2.00 crore

## Contacts

| Analytical                                                                                                                                                                                                                                                                                                                                | Rating Desk                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <p>Aditya Gupta<br/>Head - Corporate and Infrastructure Sector Ratings<br/>Tel: 022-67141111<br/><a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a></p> <p>Aditi Ashwin Shah<br/>Analyst - Rating Operations<br/>Tel: 022-67141106<br/><a href="mailto:Aditi.Shah@acuiterratings.in">Aditi.Shah@acuiterratings.in</a></p> | <p>Varsha Bist<br/>Manager - Rating Desk<br/>Tel: 022-67141160<br/><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p> |

## About Acuité Ratings & Research:

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