

Press Release

Auro Industries Limited

April 23, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.13.00 crore of bank facilities of Auro Industries Limited. The outlook is '**Stable**'.

Established in 1990, Kolkata based Auro Enterprises was set up as a proprietorship firm by Mr. Madhusudan Goenka for trading of electrical rectifiers and transformers. It was reconstituted in 1995 and renamed as Auro Industries Limited. Currently, the company is managed by Mr. Madhusudan Goenka, Mr. Praveen Kumar Goenka and Mr. Binod Agarwal. The company is currently engaged in trading of various products such as iron & steel, tyre & tubes, fabrics, automotive batteries, pollution control devices, among others.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of AIL to arrive at the rating.

Key Rating Drivers:

Strengths

Long track record of operation and experienced management

Formed in 1990, the company has a track record of three decades. The directors Mr. Madhusudan Goenka and Mr. Praveen Goenka have experience of 30 years in the trading business. Acuité believes long standing experience of management and the long track record of operations have helped the company to establish a healthy relationship with its customers and suppliers.

Average financial risk profile

The financial risk profile of the company is marked by low net worth, moderate gearing and modest debt protection metrics. The net worth of the company stood at Rs.4.18 crore in FY 2020 as compared to Rs. 4.04 crore in FY2019. The gearing of the company stood at 1.84 times as on March 31, 2020 when compared to 1.97 times as on March 31, 2019. The total outside liability to tangible networth (TOL/TNW) of the company stood high at 2.715 times in FY2020 as compared to 3.30 times in the previous year. Interest coverage ratio (ICR) stood at 1.17 times in FY2020 as against 1.18 times in FY 2019. The debt service coverage ratio (DSCR) of the company stood at 1.12 times in FY2020 as compared to 1.14 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.02 times in FY2020 and in FY2019, respectively. Going forward, Acuité believes the financial risk profile of the company will remain moderate backed by no major debt funded capex plan and moderate net cash accruals.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operation of the company marked by high gross current asset (GCA) days of 198 days in FY2020 as compared to 372 days in the previous year. This high GCA days is on account of high inventory holding period of 73 days in FY2020 as compared to 122 days in the previous. The receivables days of the company is also stood high at 122 days in FY2020 as compared to 252 days in the previous year.

Moderate scale of operation

Though the company has started operation since 1995, the revenue of the company stood moderate at Rs.25.82 crore in FY2020 as compared to Rs.15.43 crore. This improvement in revenue is on account of increase in the price of the trading material during the period. The company has booked Rs.17.38 crore till 31st December 2020 (Provisional). The ability of the company to scale up its operations will remain a key monitorable going forward.

Rating Sensitivity

- Scaling up of operations
- Deterioration in the capital structure
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by low net cash accruals of Rs.0.17 crore as against nil long term debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 0.23 crore to Rs. 0.61 crore during 2021-23 against Rs. 0.27 crore in FY2022 and Rs.0.53 crore in FY2023 of long term debt obligation, respectively. The current ratio of the company also stood comfortable at 1.34 times in FY2020. The working capital management of the company is marked by Gross Current Asset (GCA) days of 198 days in FY2020. The bank limit of the company has been ~84 percent utilized during the last six months ended in March 2021. The company has also been sanctioned covid emergency of Rs.1.57 crore. The said loan is to be repaid over a period of 4 years including 1 year of moratorium. The company has also availed the loan moratorium till August 2020 for cash credit. Acuité also believes that the liquidity of the company is likely to remain moderate on account of moderate cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes that AIL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers sustained increase in revenues and accruals coupled with improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals, deterioration in financial risk profile or elongation of working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	25.82	15.43
PAT	Rs. Cr.	0.14	0.13
PAT Margin	(%)	0.53	0.87
Total Debt/Tangible Net Worth	Times	1.84	1.97
PBDIT/Interest	Times	1.17	1.18

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

ICRA, vide its press release dated August 20, 2020 had denoted the rating of Auro Industries Limited as 'ICRA B+/Stable/A4' ISSUER NOT COOPERATING'.

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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
Cash Credit	Note Applicable	Note Applicable	Note Applicable	8.00	ACUITE BB-/Stable (Assigned)
Cash Credit	Note Applicable	Note Applicable	Note Applicable	1.57	ACUITE BB-/Stable (Assigned)
Proposed Long Term Facility	Note Applicable	Note Applicable	Note Applicable	0.43	ACUITE BB-/Stable (Assigned)
Letter of Credit	Note Applicable	Note Applicable	Note Applicable	2.25	ACUITE A4+ (Assigned)
Bank Guarantee	Note Applicable	Note Applicable	Note Applicable	0.75	ACUITE A4+ (Assigned)

Contacts:

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in</p> <p>Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.