

Ratings

CRISIL

An S&P Global Company

Rating Rationale

February 01, 2018 | Mumbai

Aunde India Limited

Rating outlook revised to 'Stable'; ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.50 Crore
Long Term Rating	CRISIL BB+/Stable (Outlook revised from 'Positive' and rating reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has revised its rating outlook on the long-term bank facilities of Aunde India Limited (AIL) to **'Stable'** from 'Positive', while reaffirming the rating at **'CRISIL BB+'**. The short-term rating has been reaffirmed at **'CRISIL A4+'**

The outlook revision reflects a moderation in AIL's capital structure due to an inventory write-off of about Rs.11 crore in the first nine months of fiscal 2018 and anticipation of a further write-off of about Rs.5 cr over the near to medium term. The reduction in networth arising from the write-off has resulted in the total-outside-liabilities-to-tangible-networth ratio has weakened to about 2 times currently as against expectation of an improvement to about 1 time. The inventory write-off also underscore the risk related to product offtake and inventory management faced by the company in an industry where the customers enjoy strong bargaining power. Going forward, growth in scale of operations will require additional capital and therefore infusion of fresh funds in the company to shore up its capital base will remain a key rating sensitivity factor over the medium term.

The rating reflect the benefits AIL derives from its association with global promoter, Aunde Achter & Ebels GMBH (Aunde), Germany and the Indian promoter Mr Ajay Anand. These benefits are in the form of preferred access to AIL's customers in the Domestic and Global markets, Technological and Personnel support, and need-based funding support. The rating also factors in AIL's long presence in the automotive fabrics business, and established relations with original equipment manufacturers (OEMs). These rating strengths are partially offset by AIL's working-capital-intensive operations, susceptibility to volatility in raw material prices and average financial risk profile.

Analytical Approach

AIL's promoters, have over the years infused interest free unsecured loans to AIL, which stood at about Rs.25.82 cr as on March 31, 2017. For arriving at the rating, CRISIL has treated 75 per cent of these funds as equity and 25 per cent as debt. This is because the loans are interest free and as articulated by the management these are expected to be retained in the business as long term funding for the company. These funds are subordinated to the bank debt.

Key Rating Drivers & Detailed Description

Strengths

* **Association with its global promoter, Aunde Achter & Ebels gmbh (Aunde; Germany):** AIL benefits from the association with global promoter, Aunde. These benefits to AIL are in the form of ready access to customers in the global markets, technological and personnel support, and need-based funding support. CRISIL expects that AIL will continue to benefit from association with its global promoter.

* **Long presence in automotive fabrics business and established relations with OEMs:** AIL has long-standing presence of around 20 years in the automotive fabrics business, which helped AIL to develop a reputed and strong customer base in the automobile sector. Its established relationship with its customers is reflected in the preferred vendor status of AIL with the OEMs and also in AIL's engagement with them for new models. It enjoys a steady 32-37% market share in India in its segment of operation.

Weaknesses

* **Working capital-intensive operations:** AIL's operations are working capital intensive as reflected in gross current assets of 204 days as on March 31, 2017, because of high inventory and moderate receivables. The stretched gross current asset cycle is however partly supported by high creditors of 80-90 days.

* **Susceptibility to volatility in raw material prices:** Operating margin is highly susceptible to volatility in raw material

prices or any inventory write offs due to inventory becoming obsolete. This is reflected in fluctuated margins of 7-14 percent over the five years ending 2017-18. All the raw materials of the company are crude oil derivatives and AIL is able to pass on only a part of the increase in the costs. Hence any fluctuation in crude oil prices or any further write off of inventory will affect the operating margins of the company.

*** Average financial risk profile:** AIL's financial risk profile is expected to remain average as reflected in healthy network (including 75 per cent unsecured loans from promoters of Rs 25.92 Crs) and moderate gearing of Rs 38 crore and 1.24 times, respectively, as on March 31, 2018. Debt protection metrics are expected to remain weak due to losses for the 9m ended December 2017.

Outlook: Stable

CRISIL believes AIL will maintain its business risk profile over the medium term backed by an established market position, strong customer relationships and product profile. The outlook maybe revised to 'Positive' in case of significant and sustainable increase in scale of operations and profitability along with improvement in capital structure. Conversely the outlook may be revised to 'Negative' if the operating margins decline due to increasing competition or if the capital structure deteriorates further due to stretch in working capital cycle or higher than expected debt-funded capital expenditure.

About the Company

AIL was promoted in 1997 by Mr. Ajay Anand (promoter of Faze Three group) and Aunde Germany as a private limited company and was later converted into a public limited company. The company manufactures technical automotive woven fabrics, which are used in seat covers and sells to seat manufacturers of OEMs such as Ford India Pvt Ltd, Maruti Suzuki India Ltd (rated 'CRISIL AAA/Stable/CRISIL A1+'), Hyundai Motor India Ltd ('CRISIL A1+'), Mahindra and Mahindra Ltd ('CRISIL AAA/Stable/CRISIL A1+'). The company has manufacturing facilities at Dadra (Dadra & Nagar Haveli).

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	124	125
Profit After Tax	Rs. Cr.	2.6	1.0
PAT Margins	%	2.1	0.8
Adjusted Debt/Adjusted Net worth	Times	0.82	0.96
Interest coverage	Times	2.0	1.1

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Corporate Loan	NA	NA	Nov-2022	2.50	CRISIL BB+/Stable
NA	Working Capital Demand Loan	NA	NA	Nov-2022	16.50	CRISIL BB+/Stable
NA	Term Loan	NA	NA	Not Disbursed	3.85	CRISIL BB+/Stable
NA	Cash credit	NA	NA	NA	25.50	CRISIL BB+/Stable
NA	Bank guarantee	NA	NA	NA	0.50	CRISIL A4+
NA	Proposed long-term bank loan facility	NA	NA	NA	1.15	CRISIL BB+/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2018 (History)		2017		2016		2015		Start of 2015
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	49.5	CRISIL BB+/Stable		No Rating Change	08-03-17	CRISIL BB+/Positive	26-02-16	CRISIL BB+/Stable	05-03-15	CRISIL BBB-/Stable	--
Non Fund-based Bank Facilities	LT/ST	.5	CRISIL A4+		No Rating Change		No Rating Change	26-02-16	CRISIL A4+	05-03-15	CRISIL BBB-/Stable	--

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount	Rating	Facility	Amount	Rating

	(Rs.Crore)			(Rs.Crore)	
Bank Guarantee	.5	CRISIL A4+	Bank Guarantee	.5	CRISIL A4+
Cash Credit	25.5	CRISIL BB+/Stable	Buyer`s Credit	7	CRISIL BB+/Positive
Corporate Loan	2.5	CRISIL BB+/Stable	Cash Credit	21.5	CRISIL BB+/Positive
Proposed Long Term Bank Loan Facility	1.15	CRISIL BB+/Stable	Proposed Long Term Bank Loan Facility	.39	CRISIL BB+/Positive
Term Loan	3.85	CRISIL BB+/Stable	Term Loan	20.61	CRISIL BB+/Positive
Working Capital Demand Loan	16.5	CRISIL BB+/Stable	--	0	--
Total	50	--	Total	50	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Auto Component Suppliers](#)

[The Rating Process](#)

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Rating Rationale

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