

Rating Rationale

March 08, 2017 | Mumbai

Aunde India Limited

Rating outlook revised to 'Positive'; ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.50 Crore
Long Term Rating	CRISIL BB+/Positive (Outlook revised from 'Stable' 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 '**Positive**' from 'Stable', while reaffirming the rating at 'CRISIL BB+'. The short-term rating has been reaffirmed at 'CRISIL A4+'

The outlook revision reflects CRISIL's expectation that the company's business risk profile will strengthen over the medium term through increase in volume of sales and corresponding growth in turnover, sustainable improvement in profit margin, and a continued control on the working capital cycle. AIL has an established position in the automobile seat fabric industry in India with long term relationships with Original Equipment Manufacturers (OEMs) like Maruti Suzuki India Ltd (rated 'CRISIL AAA/Stable/CRISIL A1+'), Hyundai Motor India Ltd (rated 'CRISIL A1+'), and Ford India Pvt Ltd amongst others. Consequently, it has benefitted from increase in sales volumes following release of new car models by these OEMs in the recent past. The company has comfortable revenue visibility for the medium term based on the current OEM-wise order schedule received by AIL and is expected to receive additional orders in the first quarter of 2017-18 (refers to financial year, April 1 to March 31). A strengthening of the order book and a ramp-up in turnover while maintaining the profit margin and working capital cycle will remain key rating sensitivity factors over the medium term.

Analytical Approach

For arriving at the rating, CRISIL has treated Rs.25.82 crore of non-interest-bearing unsecured loans from its promoters as neither debt nor equity as the same is expected to be retained in the business as long term funding for the company.

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.

***Moderate financial risk profile:** AIL's financial risk profile is average as reflected in healthy network (excluding unsecured loans from promoters of Rs 25.92 Crs) and moderate gearing of around Rs 33 crore and 1.34 times, respectively, as on March 31, 2016.. Adequate debt protection metrics have improved with the interest cover expected to be about 2 times in 2016-17.

***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

***Moderate scale of operations:** AIL's scale of operations is moderate reflected in expected revenue of Rs.125 crore in 2016-17. AIL is one of the key suppliers of seat fabric to OEMs in India. However, the overall scale of operations is moderate limiting the company's bargaining power with its large clients.

***Working capital-intensive operations:** AIL's operations are working capital intensive as reflected in gross current assets of 222 days as on March 31, 2016, 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 as reflected in fluctuated margins of 7-14 percent over the five years through 2015-16. 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 will affect the operating margins of the company.

Outlook: Positive

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 ratings may be upgraded in case of significant increase in scale of operations backed by increase in offtake from existing customers or addition of new OEM's, and sustenance of profitability along with maintenance of the capital structure and working capital cycle. The outlook may be revised to 'Stable' in case of lower than expected revenues and decline in operating margins, larger-than expected debt-funded capex, or a stretched working capital cycle, leading to deterioration in the financial risk profile.

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).

AIL has reported net sales of Rs.125 crore and PAT of Rs.1.71 crore for full year ended March 2016 as against net sales of Rs.81 crore and net loss of Rs.4.8 crore for the nine months ended March 2015 (Note: company had changed its accounting year from July-Jun to Apr-Mar, therefore, March 2015 was a nine months ended financial closure).

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	Term Loan	NA	NA	27-Mar-2023	2.50	CRISIL BB+/Positive
NA	Term Loan	NA	NA	27-Oct-2027	16.50	CRISIL BB+/Positive
NA	Term Loan	NA	NA	05-Mar-2018	0.26	CRISIL BB+/Positive
NA	Term Loan	NA	NA	02-Sep-2017	0.05	CRISIL BB+/Positive
NA	Term Loan	NA	NA	30-Jun-2017	1.30	CRISIL BB+/Positive
NA	Cash credit	NA	NA	NA	21.50	CRISIL BB+/Positive
NA	Bank guarantee	NA	NA	NA	0.50	CRISIL A4+
NA	Buyers Credit	NA	NA	NA	7.0	CRISIL BB+/Positive
NA	Proposed long-term bank loan facility	NA	NA	NA	0.39	CRISIL BB+/Positive

Annexure - Rating History for last 3 Years

Instrument	Current			2017 (History)		2016		2015		2014		Start of 2014
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	49.5	CRISIL BB+/Positive		No Rating Change	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	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 (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	.5	CRISIL A4+	Bank Guarantee	.5	CRISIL A4+
Buyer's Credit	7	CRISIL BB+/Positive	Cash Credit	21.5	CRISIL BB+/Stable
Cash Credit	21.5	CRISIL BB+/Positive	Corporate Loan	2.5	CRISIL BB+/Stable
Proposed Long Term Bank Loan Facility	.39	CRISIL BB+/Positive	Long Term Loan	3.63	CRISIL BB+/Stable
Term Loan	20.61	CRISIL BB+/Positive	Proposed Long Term Bank Loan Facility	5.37	CRISIL BB+/Stable
--	0	--	Working Capital Term Loan	16.5	CRISIL BB+/Stable
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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Last updated: April 2016

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