

Rating Rationale

December 04, 2024 | Mumbai

Autometers Alliance Limited

Ratings reaffirmed at 'CRISIL BBB+/Stable/CRISIL A2'

Rating Action

Total Bank Loan Facilities Rated	Rs.100.2 Crore (Reduced from Rs.130 Crore)
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)
Short Term Rating	CRISIL A2 (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB+/Stable/CRISIL A2' ratings on the bank facilities of Autometers Alliance Limited (AAL). CRISIL Ratings has also **withdrawn** the rating on the proposed non-fund based limits of Rs. 29.8 crores at the request of the company and in line with policy of withdrawal of ratings.

The ratings continue to reflect the extensive experience of the promoters in the engineering products industry and the healthy financial risk profile of AAL. These strengths are partially offset by the company's moderate scale of operations and large working capital requirement.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of AAL.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoters:** AAL has been manufacturing components for the Indian Railways and Delhi Metro Rail Corporation (DMRC) for around two decades and has established longstanding business relationships. The two-decade-long experience of the promoters, their strong understanding of the market dynamics, and new product development in line with changing market demands, should continue to support the business. The product portfolio is well diversified, and includes vacuum circuit breakers, converters, connectors, uninterruptible power supply (UPS) systems, emergency talk back systems and head on generators. Strong market position and extensive industry experience helped the company clock compound annual growth rate of 39% in topline over the three years through fiscal 2024.
- Given the government focus on enhancing railway services and multiple initiatives for the same, AAL expects healthy revenue growth to Rs 480-500 crore in fiscal 2025, with Rs 276 crore recorded in the first half. The growth will be supported by order of around Rs 290 crore from Indian Railways and multiple orders from DMRC, which are being executed simultaneously. Prominence in the industry and longstanding association with Indian Railways and DMRC should continue to support the business of AAL.
- **Healthy financial risk profile:** Adjusted networth and gearing were Rs 271 crore and 0.05 time, respectively, as on March 31, 2024. The networth is expected to increase to Rs 330-340 crore in fiscal 2025 supported by steady profitability and healthy accretion to reserve, while the gearing is expected to remain healthy at 0.04-0.05 time on account of low dependence on external debt. The debt protection metrics were robust with interest coverage expected at 70-75 times and net cash accrual to adjusted debt ratio at 3-4 times in fiscals 2025 and 2026, supported by low interest expenses resulting from limited reliance on external debt. The debt protection metrics are expected to remain healthy over the medium term on account of steady operating profitability and no plan to avail of additional loans. With no major debt-funded capital expenditure (capex) planned over the medium term, the financial risk profile is likely to improve.

Weaknesses:

- **Moderate scale of operations:** The company witnessed a substantial growth in the topline during fiscal 2024 to Rs. 402 crores (from Rs. 326.8 crores in FY23), however, despite the stated improvement, the scale remains moderate constrained on account of tender-based operations. Though the revenue visibility stands strong currently, as the company achieved Rs. 276 crores of revenue till September-2024 and projecting revenue of around Rs. 480-500 crores in fiscal 2025 backed by order book of Rs. 290 crores from Indian Railways as of October-2024 which needs to be executed during a period of 1 year along with multiple orders from Delhi Metro rail Corporation (DMRC), the timely execution of these orders while managing the working capital cycle and sustaining the operating margins at 16-17% will remain a key monitorable.
- **Large working capital requirement:** Operations are working capital intensive with gross current assets expected at 190-200 days in fiscals 2025 and 2026 driven by receivables of 80-90 days because of government counterparties and sizeable inventory due to large number of products. The company holds inventory of 100-130 days as it deals in a variety of products and also has to stock different types of raw materials with certain components involving a higher lead time because of imports. Prudent working capital management has resulted in timely realization of receivables and liquidation of inventory, resulting in low dependence on debt. However, with growing scale of operations, the working capital requirement is expected to increase. Hence, continued efficient working capital management remains monitorable.

Liquidity: Adequate

Bank limit utilisation was low at 18% on average in the 12 months through September 2024. Cash accrual is expected at Rs 60-70 crore against nil term debt over the medium term and will cushion liquidity. The current ratio is expected to be healthy at 4-5 times as on March 31, 2025. Low gearing and healthy networth support the company's financial flexibility and provide financial cushion to withstand adverse conditions or downturn in the business. The company had free fixed deposits worth Rs 120 crore as of October 2024, which will support the working capital cycle.

Outlook: Stable

CRISIL Ratings believes AAL will continue to benefit from the extensive experience of its promoters and its debt-free capital structure.

Rating sensitivity factors

Upward factors:

- Significant growth in revenue with margins sustaining in the range of 18-19% over medium term
- Efficient working capital management with timely realisation from debtors

Downward factors:

- Sizeable decline in revenue or in operating margin below 13% leading to lower-than-expected net cash accrual
- Stretched working capital cycle or large, debt-funded capex, weakening the financial risk profile

About the Company

AAL, established in 1959, manufactures engineering products such as tachographs, relays, vacuum circuit breakers, auxiliary converters. The operations are managed by members of the Thirani family, and manufacturing facilities are at Noida in Uttar Pradesh and Baddi in Himachal Pradesh.

Key Financial Indicators

As on / for the period ended March 31	Unit	2024	2023
Operating income	Rs crore	402.68	326.80
Reported profit after tax (PAT)	Rs crore	54.64	43.35
PAT margin	%	13.57	13.26
Adjusted debt/adjusted networth	Times	0.05	0.03
Interest coverage	Times	73.49	46.10

Status of non cooperation with previous CRA:

AAL has not cooperated with Acuite Ratings and Research Limited, which published their ratings as 'issuer not co-operating' through release dated 19-November-2019. The reason provided by them was non-furnishing of information by AAL for monitoring the ratings.

AAL has not cooperated with ICRA Limited, which published their ratings as 'issuer not co-operating' through release dated 09-October-2020. The reason provided by them was non-furnishing of information by AAL for monitoring the ratings.

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale

published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	50	NA	CRISIL A2
NA	Cash Credit	NA	NA	NA	25	NA	CRISIL BBB+/Stable
NA	Foreign Exchange Forward	NA	NA	NA	0.2	NA	CRISIL A2
NA	Overdraft Facility	NA	NA	NA	15	NA	CRISIL BBB+/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	10	NA	CRISIL BBB+/Stable
NA	Proposed Non Fund based limits	NA	NA	NA	29.8	NA	Withdrawn

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	50.2	CRISIL BBB+/Stable / CRISIL A2	01-03-24	CRISIL BBB+/Stable / CRISIL A2	--	--	11-11-22	CRISIL BBB/Stable	30-07-21	CRISIL BBB-/Stable	CRISIL BBB-/Stable
			--	24-01-24	CRISIL BBB+/Stable	--	--	29-09-22	CRISIL BB+ /Stable(Issuer Not Cooperating)*	31-05-21	CRISIL BBB-/Stable	--
Non-Fund Based Facilities	ST	79.8	CRISIL A2	01-03-24	CRISIL A2	--	--	11-11-22	CRISIL A3+	30-07-21	CRISIL A3	CRISIL A3
			--	24-01-24	CRISIL A2	--	--	29-09-22	CRISIL A4+ (Issuer Not Cooperating)*	31-05-21	CRISIL A3	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	50	Central Bank Of India	CRISIL A2
Cash Credit	25	Central Bank Of India	CRISIL BBB+/Stable
Foreign Exchange Forward	0.2	Central Bank Of India	CRISIL A2
Overdraft Facility	15	HDFC Bank Limited	CRISIL BBB+/Stable
Proposed Fund-Based Bank Limits	10	Not Applicable	CRISIL BBB+/Stable
Proposed Non Fund based limits	29.8	Not Applicable	Withdrawn

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt

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