CRISIL Ratings

Rating Rationale

January 24, 2024 | Mumbai

Autometers Alliance Limited

Ratings upgraded to 'CRISIL BBB+/Stable/CRISIL A2'

Rating Action

Total Bank Loan Facilities Rated	**Rs.130 Crore**
Long Term Rating	**CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB/Stable')**
Short Term Rating	**CRISIL A2 (Upgraded from 'CRISIL A3+')**

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 upgraded its ratings on the bank facilities of Autometers Alliance Limited (AAL) to '**CRISIL BBB+/Stable/CRISIL A2'** from 'CRISIL BBB/Stable/CRISIL A3+'.

The upgrade reflects the sustained improvement in the business risk profile and strong financial and liquidity profile of the company. The company witnessed a growth of 46% in revenue in fiscal 2023 over fiscal 2022 driven by high demand for the newly launched products like head-on generators, emergency talk backs, etc. as well as repeat orders from the customers. The revenue recorded till December 2023 is Rs. 298 crores and the company expect to close fiscal 2024 at around Rs. 380-385 crores driven by an order book of Rs. 200 crores as on Dec 31, 2023, out of which orders worth Rs. 70 crores are to be executed by March 2024 and rest of the orders to be executed within 6-8 months providing revenue visibility over medium term. With focus of the government on enhancing the railway services and multiple initiatives being taken towards the same, the company expects a healthy growth in Fy25 with revenue of around Rs. 480-500 crores. The operating margins increased significantly to 19-20% in fy23 because of manpower optimization, production efficiency with introduction of new machineries and efficient processes resulting in reduced wastages and prudent inventory management. In fiscals 2024 and 2025 also, the management expects the operating margins to sustain around 20% considering all the anticipated exigencies.

The financial risk profile continues to remain strong with healthy networth expected in the range of Rs. 270-272 crores in fiscal 2024 and gearing and total outside liabilities to tangible networth ratios of below 1 time because of low dependence on external debt. The liquidity is supported by enough cushion in accruals as there are no repayment obligations because of absence of term loans. Also, the company has free fixed deposits of Rs. 90 crores which will support the operations of the company.

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 moderate scale of operations and working capital intensive operations.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoters**: AAL has been manufacturing components for the Indian Railways, Delhi Metro for around two decades and has established longstanding business relationships. Two-decade-long experience of the promoters, their strong understanding of market dynamics, and new product development in line with changing market demands, should continue to support the business. The product portfolio is well diversified, which include vacuum circuit breakers, converters, connectors, UPS, emergency talk back etc. As a result of strong market position and extensive industry experience, the company has been able to scale up its operations over the past three fiscals ended fy23. The revenue recorded in fiscal 2024 is Rs. 198 crores till Sept-2023 with an expectation to close the year at Rs. 380-385 crores driven by increased sale of new products and repeat orders from the customers. - With focus of the government on enhancing the railway services and multiple initiatives being taken towards the same, the company expects a healthy growth in Fy25 with revenue of around Rs. 480-500 crores. Prominence in the industry and longstanding association with Indian Railways and Delhi Metro Rail Corporation should continue to support the business.

- **Healthy financial risk profile**: Adjusted networth and gearing were Rs. 217 crore and 0.03 time, respectively, as on March 31, 2023. Networth is expected to improve to Rs. 270-272 crores in fiscal 2024 supported by sustained profitability and healthy accretion to reserves and gearing is expected to remain healthy below 1 time on account of limited dependence on external debt. The debt protection metrics are robust with interest cover of 38.4 times and NCAAD of 6.25 times as on March 31, 2023, supported by low interest expenses resulting from low reliance on external debt. These metrices are expected to remain healthy in fiscals 2024 and 2025 as well on account of sustained profitability and no plans for any additional loans. With no major debt-funded capital expenditure (capex) plans 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 2023 to Rs. 326 crores (FY22 Rs. 223 crores). However, despite the stated improvement, the scale remains moderate. However previously, revenue was low due to deferring of tenders by Indian Railways as the nationwide lockdown imposed to curb the spread of the Covid-19 pandemic resulted in lower use of transport facilities. Moreover, the revenue visibility stands strong currently, as company achieved Rs. 298 crores of revenue till December 2023 and projecting revenue of around Rs. 380-385 crores in fiscal 2024 backed by order book of Rs. 200 crore as on December 31, 2023 which needs to be executed during a period of 6-8 months. Going forward, timely execution of orders while managing the working capital will remain a key rating sensitivity factor.

- **Working capital intensive operations:** Operations are working capital intensive as reflected in gross current assets of 208 days as of March 31, 2023 driven by debtors which gets stretched at year end because of higher revenue booking and higher inventory due to large number of products. The company holds high inventory of 100-120 days due to nature of business as the company deals in variety of products due to which different types of raw materials needs to be maintained. Company extends credit of 30-45 days to its customers. The operations are expected to remain working capital intensive in fy24 with GCAs expected in the range of 215-220 days driven by high debtor and inventory days. Though prudent strategy of management has resulted in timely realisation in the past and timely liquidation of inventory, further, continuous efficient management of the same amidst revenue growth will be closely monitored.

Liquidity: Adequate

Bank limit utilisation is low in the 12 months through September 2023. Cash accrual is expected to be Rs 55-65 crores per annum against nil term debt and will cushion the liquidity of the company over medium term. Current ratio is expected to be healthy at 5.5 times as on March 31, 2024. Low gearing and healthy networth support the company’s financial flexibility and provide the financial cushion required in case of any adverse conditions or downturn in the business. The company also has free FDs worth Rs. 90 crores as on Dec 31, 2023 which will support the working capital operations of the company.

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

- Sustained growth in revenue with margins sustaining in the range of 20-22% over medium term.
- Efficient working capital management with timely realization from debtors.

Downward factors

- Sizeable decline in scale of operations or decline in operating margin under 14-15% leading to net cash accrual below expectations.
- Stretched working capital cycle or any 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, among others. The operations are managed by members of the Thirani family, and manufacturing facilities at Noida ,Uttar Pradesh and Baddi, Himachal Pradesh.

Key Financial Indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	326.80	223.89
Reported profit after tax (PAT)	Rs crore	43.35	20.31
PAT margin	%	13.26	9.07
Adjusted debt/adjusted networth	Times	0.03	0.10
Interest coverage	Times	38.38	43.08

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 instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	45	NA	CRISIL BBB+/Stable
NA	Bank Guarantee	NA	NA	NA	65.2	NA	CRISIL A2
NA	Proposed fund-based bank limits	NA	NA	NA	10	NA	CRISIL BBB+/Stable
NA	Proposed Non fund-based limits	NA	NA	NA	9.8	NA	CRISIL A2

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	55.0	CRISIL BBB+/Stable		--		--	11-11-22	CRISIL BBB/Stable	30-07-21	CRISIL BBB-/Stable	CRISIL BBB-/Stable
			--		--		--	29-09-22	CRISIL BB+ /Stable(Issuer Not Cooperating)*	31-05-21	CRISIL BBB-/Stable	--
Non-Fund Based Facilities	ST	75.0	CRISIL A2		--		--	11-11-22	CRISIL A3+	30-07-21	CRISIL A3	CRISIL A3
			--		--		--	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	50.2	Central Bank Of India	CRISIL A2
Bank Guarantee	15	HDFC Bank Limited	CRISIL A2
Cash Credit	20	HDFC Bank Limited	CRISIL BBB+/Stable
Cash Credit	25	Central Bank Of India	CRISIL BBB+/Stable
Proposed Fund-Based Bank Limits	10	Not Applicable	CRISIL BBB+/Stable
Proposed Non Fund based limits	9.8	Not Applicable	CRISIL A2

Criteria Details

Links to related criteria

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

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