

Aditya Precitech Private Limited (Revised)

October 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	35.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE A4+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Aditya Precitech Private Limited (APPL) to monitor the rating vide e-mail communications/letters dated July 15, 2024, to August 21, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on bank facilities will now be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COOPERATING *

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by Aditya Precitech Private Limited with CARE's effort to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believed that APPL will continue to benefit from promoter's extensive experience and support through infusion of funds, as required.

Detailed description of key rating drivers:

At the time of last rating on January 09, 2024, the following were the rating strengths and weaknesses.

Key weaknesses

Moderate scale of operations albeit long track record of operations: APPL has commenced its operations in the year 2004, yet the scale of operations of the company remained moderate marked by TOI of Rs. 65.95 crores in FY23. The tangible net worth of the company also remained moderate at Rs. 17.08 crore as on March 31, 2023. However, the TOI of the company has been growing exponentially over the past years. This growth trajectory indicates the company's ability to effectively capitalize on opportunities, expand its business, and establish itself as a reputable player in the aerospace and defence manufacturing industry.

Leveraged capital structure: The tangible net worth of the company has also grown moderately from Rs. 6.20 crore as of March 31, 2019, to Rs. 17.08 crores as of March 31, 2023, indicating a gradual improvement of its financial position. Capital structure marked by overall gearing had remained leveraged given the low net worth base as of account closing dates. As of March 31, 2023, overall gearing although improved, remained leveraged at 2.25x (PYE: 2.69x). Total debt of the company comprises of term loans, unsecured loans from promoters and working capital borrowings. Promoters have infused funds and as of March 31, 2023, the outstanding unsecured loans remained at Rs.8.88 crore. Interest coverage ratio remained comfortable at 3.56x- for FY23. With low gross cash accruals vis-à-vis debt levels, TDGCA remained high at 5.51x in FY23 (FY22: 6.60x).

Working capital intensive nature of operations leading to elongated operating cycle: APPL needs to maintain significant inventories of raw materials and components to meet the demands of its customers. The time between procuring raw materials, manufacturing, and delivering the final product can be lengthy, leading to tied-up capital in work-in-progress and finished goods. The operating cycle of the company has reduced to 134 days in FY23 as compared to 145 days in FY22. APPL reported higher

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

revenue in Q4FY23 for which the recovery was done in subsequent quarter i.e., Q1FY24 resulting in increase in average collection period to 122 days (PY: 85 days). With APPL supplying the finished goods to its customers, average inventory days also reduced in FY23 to 70 days (PY: 130 days). Average working capital utilization for last 12 months ended November 2023 remained high at about 96%.

Highly regulated and tender based nature of business: APPL operates in the aerospace and defence industry, which is highly regulated, and tender based. The company must comply with strict regulations and quality standards imposed by government authorities. Winning contracts in this industry requires participating in competitive tenders and meeting stringent evaluation criteria, including technical expertise, quality assurance, pricing, and delivery capabilities. Sales cycles are typically long, and APPL's business growth relies on securing government contracts from defence organizations. Quality control and traceability are crucial in aerospace and defence, demanding robust quality management systems and documentation. Overall, APPL must navigate the regulatory landscape, focus on quality, compete for contracts, adapt to technological advancements, and comply with stringent requirements to thrive in this specialized industry.

Key strengths

Experienced management and long operational track record: K.N. Venkateswara Rao is the Managing Director of APPL and has over 25 years of experience in this area. His extensive experience in the field of manufacturing, including his previous roles as a production supervisor and production engineer, brings valuable expertise and knowledge to APPL. His experience in corporate planning, supply chain management, quality systems, finance, and man management provide a strong foundation for APPL's operations and growth. With nearly two decades of operational experience, the company has established a strong track record in manufacturing precision components for aerospace and defence applications. This extensive experience reflects the company's expertise, reliability, and ability to meet the stringent requirements and standards of the industry.

Established and reputed clientele: APPL's customers includes Defence Research and Development Organization (DRDO), Bharat Dynamics Limited (BDL), Hindustan Aeronautics Limited (HAL), Indian Space Research Organization (ISRO) and other reputed government and private entities. APPL's strong customer base comprising renowned organizations in the aerospace and defence sectors, demonstrates the company's ability to secure prestigious contracts and maintain long-term relationships with key players in the industry. This not only indicates a level of trust and credibility but also showcases the company's technical capabilities, product quality, and adherence to stringent industry standards.

Improvement in total operating income (TOI) YoY: The Total operating income (TOI) of APPL has increased from Rs. 15.57 crores in FY19 to Rs. 65.95 Crores in FY23 which indicates a remarkable CAGR of ~43% during this period. Over the years, APPL is able to add new customers and also procure higher quantum of orders thereby witnessing increase in scale of operations. With increase in TOI, profitability also witnessed gradual increase with PBILDT in FY23 standing at Rs.10.98 crore (FY22: 7.71 crore). Despite increase in operating profit at an absolute level, margin of APPL remains volatile. Average operating margin for last five years ending FY23 remained at 16%. In FY23, PBILDT margin stood at 16.64% (FY22: 19.59%). PAT margin has increase significantly in FY22 and FY23.

Satisfactory order book position: APPL has an outstanding order book position of Rs. 104.78 crores as on November 30, 2023, indicating a healthy backlog of contracted projects. Order book provides medium term revenue visibility with order book to income ratio of 1.59x which ensures a steady stream of revenue in the near term as these orders are fulfilled and invoiced. It provides visibility and predictability in terms of future business prospects and workload. The company can leverage this order book to plan its production schedules, allocate resources efficiently, and optimize its operations.

Satisfactory financial performance in H1FY24: APPL has generated a TOI of Rs. 19.54 crores in H1FY24. The profit margins marked by PBILDT margin stood at 27.63% and PAT margin stood at 11.58 in H1FY23. In absolute terms the company generated a PBILDT and PAT of Rs 5.40 crores and Rs. 2.26 crores. In 9MFY24, the company has generated a revenue of Rs 40- Rs 45 crores and is estimating to generate a revenue of Rs. 80 crores in FY24.

Joint venture with Israel based companies: In 2020, APPL established a joint venture with M/s. Uvision Air Ltd, an Israel based organization, forming M/s. Avison Systems Pvt Ltd. This joint venture focuses on the manufacturing of Smart Loitering Munition Systems, showcasing APPL's commitment to collaboration and technological advancements. APPL further expanded its joint venture portfolio in 2021 by partnering with M/s. Elbit Systems Limited, a renowned Israeli organization, to form M/s. Blue Horizon Strategic Engineering Pvt Ltd (BHSEL). APPL holds 51% of the shares in both the companies and the remaining 49% is held by respective Israel based companies.

Stable industry outlook: The industry outlook for APPL appears promising, given the growth projections and favourable market conditions in the Indian aviation, defence, and space sectors. With the Indian aerospace & defence (A&D) market expected to reach US\$ 70 billion by 2030 and a projected CAGR of over 6% during the forecast period 2022-2027, APPL is well-positioned to capitalize on the industry's expansion. The Ministry of Defence's target of achieving a turnover of INR 1.75 lakh crore in aerospace and defence manufacturing by 2025, along with the government's allocation of Rs 4.78 lakh crore to enhance the manufacturing capacity of the Indian defence sector in 2021-22, signals strong government support and investment in the sector. APPL stands to benefit from these initiatives as they align with the company's expertise in manufacturing precision components, sub-systems,

and systems for aerospace and defence organizations. Furthermore, the recent reforms in the aerospace and defence manufacturing policy, aimed at facilitating the growth and development of defence equipment manufacturers, provide additional opportunities for APPL. With a significant portion of their clients operating in the aerospace and defence industries, APPL is well-positioned to leverage their strong client base and capitalize on the high demand for precision components in these sectors.

Liquidity: Adequate

Liquidity is adequate marked by repayment obligations of Rs.1.60 crore in FY24 as against GCA of Rs.6.97 crore generated in FY23. The company has cash and liquid investments to the tune of Rs. 1.19 crores. The liquidity is also supported by an above unity current ratio of 1.44x for FY23 providing cushion for the company to borrow funds in case of additional requirements. Further, promoters infused funds to support the scale of operations and outstanding loans as of March 31, 2023, remained at Rs.8.88 crore.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Aerospace & Defense	Aerospace & Defense

Aditya Precitech Private Limited (APPL) is a private limited company incorporated in the year 1994 as a partnership firm and subsequently changed the name to its current nomenclature in 2004. APPL is based out of Hyderabad and is promoted by Mr. K. N. Venkateswara Rao and Mr. R. V. K. Kishore. APPL specializes in manufacturing precision components, sub-systems, and systems for aerospace and defence organizations. They have three locations near Hyderabad, covering approximately 60,000 square feet and equipped with 500 HP connected load. The company employs 300+ employees, including graduate engineers, diploma engineers, technicians, and commercial graduates. APPL serves various organizations such as Defence Research and Development Organization (DRDO) Laboratories, Bharat Dynamics Limited (BDL), Hindustan Aeronautics Limited (HAL), Vikram Sarabhai Space Centre (VSSC) and Indian Space Research Organization (ISRO). They have a strong track record of developing critical assemblies and supplying them to the defence and aerospace sectors. APPL works with a wide range of materials and possesses expertise in advanced manufacturing processes such as CNC machining, TIG welding, and conventional machining. They maintain a stringent quality system and possess state-of-the-art gauges and instruments for accurate measurements.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	39.33	65.95	19.54
PBILDT	7.71	11.92	5.40
PAT	3.54	5.08	2.26
Overall gearing (times)	2.69	2.25	NA
Interest coverage (times)	3.37	3.56	4.27

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: The ratings of APPL remains INC by Brickwork (BWR BB; INC and BWR A4; INC) and CRISIL (CRISIL B; INC and CRISIL A4; INC) basis non availability of information, vide its PR dated November 03, 2023, and March 08, 2023, respectively.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	Proposed	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	15.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (09-Jan-24)	-	-
2	Fund-based - LT-Term Loan	LT	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (09-Jan-24)	-	-
3	Non-fund-based - ST-BG/LC	ST	15.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (09-Jan-24)	-	-

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

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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