Aditya Infotech Limited (Revised)

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	156.00	CARE BBB+; Stable	Downgraded from CARE A-; Stable
Long Term / Short Term Bank Facilities	355.00	CARE BBB+; Stable / CARE A2	Downgraded from CARE A-; Stable / CARE A2+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The downgrade in Aditya Infotech Limited's (AIL) ratings reflects the anticipated moderation in its financial risk profile for FY25 (refers to the period from April 01, 2024 to March 31, 2025), primarily due to losses reported by its subsidiary (w.e.f. September 18, 2024), AIL Dixon Technologies Private Limited (ADTPL) during 9MFY25 (refers to period from April 1, 2024, to December 31, 2024). These losses amounting to Rs.177 crore were on account of fire at the government bonded warehouse in January 2024. however, the same was underinsured and could not be fully recovered from insurance, the same led to weakening of liquidity position of the company in the current financial year. Further, the ratings continue to remain constrained by the working capital-intensive nature of operations, competition in the industry thereby leading to modest operating margins, supplier concentration risk and foreign exchange fluctuation risk.

The ratings, however, continue to derive strength from company's established brand name **'CP Plus'** in the surveillance equipment distribution business, it's country-wide distribution network across India, long-standing relationship with reputed suppliers and wide customer base along with experienced promoters. The ratings also takes cognizance of the sustained growth in the company's scale of operations driven by continuous uptick in demand of surveillance equipment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in revenue with maintenance of profitability margins over 8% and geographical and product diversification.
- Improvement in capital structure with overall gearing of 0.75x.
- Efficient management of working capital and resultant improvement in liquidity position.

Negative factors

- Any decline in scale of operations with PBILDT margin below 7% on a sustained basis.
- Stretch in the operating cycle days beyond 120 days leading to further pressure on its liquidity position.
- Any change in its relationship with supplier (Dahua) posing risk for AIL to maintain its market share in India.

Analytical approach: Consolidated Approach; The change in the analytical approach takes into account the acquisition of AIL Dixon Technologies Private Limited (erstwhile 50:50 Joint venture between AIL & Dixon Technologies Private Limited) on September 10, 2024. The details of subsidiaries consolidated are given in Annexure-6.

Outlook: Stable

CARE Ratings believes that the entity shall be able to sustain its growth in scale of operations over the medium to long-term considering the increasing demand of surveillance equipment.

Detailed description of key rating drivers:

Key strengths

Established brand in the surveillance equipment distribution business

AIL enjoys strong market position in India within electronic security segment (video surveillance), with majority of turnover being contributed by its indigenous brand, 'CP Plus', which is a leading flagship security and surveillance brand. The company is also

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

engaged in distribution of products of Dahua Technology (under brand name 'Dahua') which is one of the leading global players in 'advanced video surveillance solutions' with operations in over 180 countries. AIL has a long-standing relationship of 14 years with Dahua Technology for which it acts as the exclusive distributor in India. The product profile is though concentrated towards cameras and Digital Video Recorders (DVRs), which contributed ~82% to revenue in FY24 and ~67% in 9MFY25 but with its strong brand recall AIL is expected to maintain its significant market share in India in the surveillance equipment industry. The company has been making efforts to add product portfolio comprising surveillance software, video door phone, time & attendance recording device, digital door lock, etc but the camera and DVR remain the key products.

Country-wide distribution network in India

The company has a deep penetration in India with more than 500 channel partners spread across 500+ towns in India and a network of local service and support at 52 locations, pan India. The distributors are spread across various states including Maharashtra, UP, Delhi, Punjab, Haryana, West Bengal, Chhattisgarh, Orissa, Gujarat, Rajasthan, Kerala, Tamil Nadu, Karnataka, etc.

Long standing relation with supplier

AIL has a long-standing relation with principal supplier Dahua Technology Limited for which it acts as the exclusive distributor in India. AIL had also entered into 50:50 Joint venture (JV) with Dixon Technologies (India) Limited in May'17 for captive manufacturing of security systems including CCTVs & DVRs under 'CP Plus' brand name. The JV, named as AIL Dixon Technologies Private Limited, commenced manufacturing of CCTVs and DVRs in Jan'18. AIL essentially purchases the products manufactured by the JV and then sells it to its customers. The company imports ~40%-50% of its products from Dahua and rest is imported from other vendors in Singapore.

During the current fiscal year, the company acquired balance 50 percentage stake in AIL Dixon Technologies Private Limited in order to expand its manufacturing capacities and to gain better control over production. The acquisition was completed on September 10, 2024 through a share swap transaction, granting Dixon Technologies Private Limited 6.65% stake in AIL. The company aims to establish a comprehensive CP Plus campus, which is the second-largest facility outside China and potentially the largest in India.

Experienced management

AIL's promoters have been engaged in the business of computer software, IT hardware, and security products such as surveillance cameras and scanners for around 26 years, which has led to deep understanding of industry dynamics and technical know-how. The day-to-day business functions at AIL are spearheaded by Mr. Aditya Khemka, Managing Director, who has over twenty years of experience in the Indian Security and Surveillance industry. Mr. Aditya Khemka possesses technical competence and IT educational background. He is ably assisted by a qualified and professional management team with vast experience in the industry.

Steady growth in scale of operations

During FY24 (refers to the period from April 01, 2023 to March 31, 2024), the company at a consolidated level reported y-o-y growth in the total operating income by ~22%, which stood at Rs.2,782.43 crore (PY: Rs. 2,284.55 crore). The same has been supported by the strengthening of overall Indian video surveillance market, with an increasing emphasis on security for individuals and businesses, coupled with govt. endeavours such as promotion of enhanced security infrastructure in smart city initiatives. The operating margin of the company moderately improved by 98 bps and stood at 8.01% in FY24 (PY: 7.03%). The same remain range bound because of intense competition, limited value addition and trading nature of business.

Key weaknesses

Significant losses in the subsidiary; AIL Dixon Technologies Private Limited

In January 2024, a fire at a government custom bonded warehouse damaged inventories worth Rs.176.99 crore. At the time, AIL Dixon Technologies Private Limited was a 50:50 joint venture, and the warehouse was managed by Dixon Technologies. It was later discovered that the warehouse was under-insured, whereby the company filed suitable claims with the warehouse keeper and marine insurance provider, recognizing an extraordinary expense of Rs.177 crore in the current fiscal. The company expects to recover ~Rs.30 crore by FY26 and plans to pursue legal action for criminal negligence against the warehouse keeper for the remaining amount. As a result, ADTPL reported a PBILDT of Rs.25.36 crore and net loss of Rs.162.97 crore on a total operating income of Rs.1,136.08 crore in its standalone financials for 9MFY25. However, as discussed with management, the extraordinary expense was already accounted for in the pre-acquisition valuation, leading to the creation of goodwill worth Rs.542.74 crore. Meanwhile, AIL posted a standalone PBILDT of Rs. 162.35 crore & net profit of Rs.94.71 crore on a total operating income of Rs. 2,099.02 crore during 9MFY25.

Expected moderation in financial risk profile in current fiscal

The total debt of the company stood at Rs.436.28 crore as on March 31, 2024. The same comprised of working capital loan of Rs. 361.83 crore, term loan of Rs.42.24 crore, finance lease liability of Rs. 30.82 crore and unsecured loan of Rs.1.38 crore. The overall gearing ratio improved and stood at 1.03x as on Mar-31, 2024 (PY: 1.44x). The interest coverage ratio and total debt to GCA improved and stood at 7.31x and 3.35x respectively as on Mar-31, 2024 (PY: 7.01x and 3.82x respectively).

In the current fiscal year, a moderation in the capital structure is anticipated due to the substantial losses incurred in the subsidiary.

Competition in electronic surveillance products industry
Electronic surveillance equipment industry in India is fairly competitive with top 3 brands, viz., CP Plus, Dahua, and Hikvision commanding ~70-75% market share while other brands like Zicom, Panasonic, Bosch, etc. make the remaining 25%. The lack of differentiation in the product offerings made the vendors adopt competitive pricing strategies. Hence, to tackle the competitiveness of the market, AIL has historically invested in building the brand CP Plus and its wide distribution network.

Working Capital Intensive nature of operations
The company's distribution business is highly working-capital-intensive. The company allows 2.5 – 3-month credit period to its customers due to competitive nature of the industry and avails a 120-days credit period from Dahua. Due to the same, the company has high dependence on working capital borrowings. However, the bargaining power of AIL vis-à-vis Dahua stems from the strategic importance it holds for the latter as its exclusive distributor and procurer of its components.

Foreign exchange fluctuation risk
Though AIL's sales are almost entirely domestic, it's subsidiary imports 85% of its requirement for CCTV cameras and other materials in unassembled form from China, thus, exposing it to forex risk indirectly. However, the company enters hedging contracts, largely covering currency fluctuation risks. Additionally, AIL follows the policy of considering extra buffer in the 'product costing' in order to hedge any risk of unanticipated adverse movement in forex rates. While the risk remains, the overall high dependence of the industry on Chinese supplies and the fact that there have been no major supply disruptions provide comfort. The company had reported gain of Rs.0.85 crore (PY: loss of Rs.0.75 crore) due to foreign currency fluctuation in FY24.

Liquidity: Adequate

The liquidity of the company is adequate as reflected by expected gross cash accruals of more than Rs.200 crore in FY26 as against the scheduled term loan repayment of Rs.16.34 crore. The average month-end utilization of limits for the trailing 12-months stood moderately high at 93.88%. The company had cash and bank balance to the tune of Rs. 39.31 crore as on March 31, 2024 and Rs.77.31 crore as on December 31, 2024. The company is incurring capex in the projected years, which is likely to be partly funded by debt and partly from internal accruals.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Consolidated & Combined Approach

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Consumer Electronics

Aditya Infotech Limited (AIL), incorporated in 1995, is engaged in providing technology-enabled security and safety solutions with specialization in electronic video surveillance. AIL's indigenous brand, "CP Plus" is one of the leading brands in video security in India with a healthy market share. Its offerings include intelligent video surveillance, analog HD camera, home security, access control & access management solutions, and other accessories. The company is spearheaded by Mr. Aditya Khemka, promotor and MD who holds 55.66 % stake in the company, along with his father, Mr Hari Shankar Khemka (17.96%) and his brother Mr Rishi Khemka (13.40%). With 40 plus offices, 10 plus service centres, and 970+ employees, the company has 800+ partners across 500 + towns of India. AIL had entered JV with Dixon Technologies (India) Limited in May'17 for manufacturing of security systems including CCTVs & DVRs under 'CP Plus' brand name. The JV, named as AIL Dixon Technologies Private Limited, commenced manufacturing of CCTVs and DVRs in Jan'18. AIL essentially purchases the products manufactured by the JV and then sells it to its customers. However, in September 2024, it acquired entire stake in the JV through a share swap transaction, granting Dixon Technologies Private Limited a 6.65% stake in AIL. Further, AIL has a long-standing relation with principal supplier Dahua Technology Limited for which it acts as the super distributor for India.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)*
Total operating income	2,284.55	2,782.43	2,099.02
PBILDT	160.55	222.94	187.71
PAT	108.31	115.17	NA
Overall gearing (times)	1.44	1.03	NA
Interest coverage (times)	7.01	7.31	6.04

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not Available

***The key unaudited financials of AIL and its subsidiary; AIL Dixon Technologies Private Limited are CARE adjusted.**

Brief Financials (₹ crore) (Standalone)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	2284.55	2783.27	2099.02
PBILDT	161.25	223.81	162.35
PAT	102.13	144.60	94.71
Overall gearing (times)	1.55	1.01	0.54
Interest coverage (times)	7.05	7.34	5.55

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable
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-Term Loan		-	-	February, 2028	36.00	CARE BBB+; Stable
Fund-based - LT-Working Capital Demand loan		-	-	-	120.00	CARE BBB+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	100.00	CARE BBB+; Stable / CARE A2
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	80.00	CARE BBB+; Stable / CARE A2
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	100.00	CARE BBB+; Stable / CARE A2
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	75.00	CARE BBB+; Stable / CARE A2

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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	75.00	CARE BBB+; Stable / CARE A2	1)CARE A-; Stable / CARE A2+ (01-Apr-24)	1)CARE A-; Stable / CARE A2+ (05-Apr-23)	-	1)CARE A-; Stable / CARE A2+ (23-Mar-22)
2	Fund-based - LT-Working Capital Demand loan	LT	120.00	CARE BBB+; Stable	1)CARE A-; Stable (01-Apr-24)	1)CARE A-; Stable (05-Apr-23)	-	1)CARE A-; Stable (23-Mar-22)
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	100.00	CARE BBB+; Stable / CARE A2	1)CARE A-; Stable / CARE A2+ (01-Apr-24)	1)CARE A-; Stable / CARE A2+ (05-Apr-23)	-	1)CARE A-; Stable / CARE A2+ (23-Mar-22)
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	80.00	CARE BBB+; Stable / CARE A2	1)CARE A-; Stable / CARE A2+ (01-Apr-24)	1)CARE A-; Stable / CARE A2+ (05-Apr-23)	-	1)CARE A-; Stable / CARE A2+ (23-Mar-22)
5	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	100.00	CARE BBB+; Stable / CARE A2	1)CARE A-; Stable / CARE A2+ (01-Apr-24)	1)CARE A-; Stable / CARE A2+ (05-Apr-23)	-	1)CARE A-; Stable (23-Mar-22)
6	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (01-Apr-24)	1)CARE A-; Stable (05-Apr-23)	-	1)CARE A-; Stable (23-Mar-22)
7	Fund-based - LT-Term Loan	LT	36.00	CARE BBB+; Stable	1)CARE A-; Stable (01-Apr-24)	1)CARE A-; Stable (05-Apr-23)	-	1)CARE A-; Stable (23-Mar-22)

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Demand loan	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	AIL Dixon Technologies Private Limited	Full	Wholly owned subsidiary
2	Shenzen CP Plus International Limited	Full	Wholly owned subsidiary

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.

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About us:

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