

December 31, 2024^(Revised)

Aditya Auto Products & Engineering (I) Private Limited: Ratings reaffirmed; Outlook on the long-term rating revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term-term loan-fund based	24.00	11.32	[ICRA]BBB+ (Positive); Reaffirmed and Outlook revised to Positive from Stable
Long term-cash credit-fund based	81.35	83.85	[ICRA]BBB+ (Positive); Reaffirmed and Outlook revised to Positive from Stable
Short term-others-non fund based	16.25	16.25	[ICRA]A2; Reaffirmed
Short term-unallocated	20.00	0.00	-
Total	141.6	111.42	

*Instrument details are provided in Annexure-I

Rationale

The revision in outlook on the long-term rating for bank lines of Aditya Auto Products & Engineering (I) Private Limited (AAPEPL/the company) considers the improvement in its financial performance in H1 FY2025, and expectation of sustenance of the same going forward as well. AAPEPL's operating margins improved significantly from 4.6% in FY2023 and 4.8% in FY2024 to 9.2% in H1 FY2025, aided by confluence of factors including higher content per vehicle, favourable product mix with newer products having higher margins, sustainable price increases and pass-throughs, localisation, value engineering initiatives and better operating leverage. This, along with private equity fund infusion in FY2024 and limited capex, has improved the company's debt metrics. AAPEPL's consolidated interest coverage stood at 4.3 times in H1 FY2025 (as against 3.4 times in FY2024 and 2.4 times in FY2023) and its consolidated net debt/OPBITDA was 1.4 times in as on September 30, 2024 (as against 2.9 times in FY2024 and 3.8 times in FY2023). The debt metrics are expected to remain healthy going forward with sustenance of the improved operating margins and minimal debt funded capex/investments. AAPEPL will also continue to benefit from the experience of its promoters, the powertrain agnostic nature of its products, and its diversification in terms of product profile and client additions.

The ratings remain constrained by the company's moderate scale of operations with operating income of income of Rs. 644.3 crore in FY2024 and Rs. 327.3 crore in H1 FY2025, despite YoY growth of 10.0% in FY2024, and CAGR of 17% for the period FY2020-FY2024. The company has high customer concentration risk stemming from ~55% of its revenues being derived from its top three customers in H1 FY2025. This could result in revenue risks should there be an underperformance by the top customers or loss of business to competition. However, the company's long standing presence and strong relationships with its clientele, likely addition of new customers and product development capabilities are likely to mitigate the risk to an extent. Its revenues are also exposed the inherent cyclicity of the domestic auto and PV industry.

The 'Positive' outlook on the rating reflects the expectation that the improved margins and debt metrics would sustain going forward, supported by AAPEPL's strong operational profile, product diversity and new business additions.

Key rating drivers and their description

Credit strengths

Strong operational profile and extensive promoter experience – The company enjoys an established relationship with its client base of key domestic original equipment manufacturers (OEMs) and Tier-I players like Mahindra & Mahindra Limited (M&M), Lear Corporation, and Maruti Suzuki India Limited, Skoda Auto Volkswagen India Private Limited and Renault Nissan Automotive India Private Limited, among others. Under the window regulator segment, the company supplies to majority of the OEMs and enjoys preferred vendor/ sole supplier status with some of its customers. Further, with the launch of switched reluctance motors (SRM) and increase in capacity of window lift motors, the motor segment is likely to witness substantial improvement. Also, AAPEPL would continue to benefit from the experience of the promoters, the powertrain agnostic nature of its products, product diversity and client additions.

Improvement in operating margins in H1 FY2025; likely to sustain going forward – The operating margins improved significantly from 4.6% in FY2023 and 4.8% in FY2024 to 9.2% in H1 FY2025, aided by confluence of factors including higher content per vehicle, favourable product mix with newer products having higher margins, sustainable price increases and pass-throughs, localisation, value engineering initiatives and better operating leverage. The margin improvement is likely to sustain going forward as well.

Healthy debt metrics – The company's debt metrics have improved as on September 30, 2024, aided by fund infusion in FY2024, improvement in margins and accruals, and limited capex. The company received Rs. 60 crore equity from private equity firms in FY2024. The equity was utilised largely for reduction in working capital debt and capex. This, along with improvement in operating margins from 4.8% in FY2024 to 9.2% in H1 FY2025 and limited capex in H1 FY2025, has supported improvement in debt metrics with consolidated interest coverage of 4.3 times in H1 FY2025 (as against 3.4 times in FY2024 and 2.4 times in FY2023) and consolidated net debt/OPBITDA of 1.4 times in as on September 30, 2024 (as against 2.9 times in FY2024 and 3.8 times in FY2023). The debt metrics are expected to remain healthy going forward with sustenance of the improved operating margins and minimal debt funded capex/investments.

Credit challenges

High customer concentration risk – With its top three customers contributing ~55% in H1 FY2025, the company's revenues remain exposed to underperformance by its top customer or loss of business to competition. However, the company's long standing presence and strong relationships with its clientele, likely addition of new customers and product development capabilities are likely to mitigate the risk to an extent.

Moderate scale of operations, despite healthy improvement in the last three years – The company reported a moderate operating income of Rs. 644.3 crore in FY2024 and Rs. 327.3 crore in H1 FY2025, despite YoY growth of 10.0% in FY2024, and CAGR of 17% for the period FY2020-FY2024. A higher scale would enhance resilience to volatility in demand and enable better cost absorption. The company's healthy pending order book and strong demand prospects for its products are likely to support revenue growth going forward.

Exposure to cyclicity inherent in domestic automobile industry – The domestic market contributed to ~90% to AAPEPL's revenues in FY2024 and H1 FY2025. Further, since with over 90% of its topline being derived from passenger vehicles (PV), AAPEPL's revenues and earnings are vulnerable to the cyclicity of the domestic automobile and PV industry.

Liquidity position: Adequate

The company's liquidity position is adequate, characterized by healthy anticipated cash accruals, consolidated free cash and bank balances of Rs. 13.0 crore and undrawn working capital lines of Rs. 24.8 crore as of September 30, 2024. The average working capital utilisation was ~72% for the period February 2024 to October 2024. As against these sources of cash, the company has debt repayments of Rs. 2.8 crore for H2 FY2025 and Rs. 6.5 crore for FY2026 and Rs. 0.5 crore in FY2027 on existing borrowings. Further, the company is expected to spend ~Rs. 35 crore for FY2025, and Rs. 20 crore each in FY2026 and FY2027 towards capacity expansions and maintenance capex, which would be funded through internal accruals. Overall, ICRA

expects AAPEPL to be able to meet its near-term commitments through internal sources of cash and yet be left with sufficient cash/liquid investments surplus.

Rating sensitivities

Positive factors – The ratings would be upgraded if the company demonstrates sustained improvement in its scale of operations, operating and net margins, working capital cycle and debt metrics.

Negative factors – The outlook on the rating could be revised to stable in case of pressure on the credit metrics arising from lower profit margins and a longer working capital cycle impacting the liquidity profile. Any large debt-funded capital expenditure/acquisition weakening the credit metrics will also trigger a negative rating action.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of AAPEPL.

About the company

Aditya Auto Products & Engineering (I) Private Limited (AAPEPL/the company) manufactures and sells door and access systems, wiring harness assemblies and connectors primarily for automotive applications. The company was set up in 1996 by the promoter, Mr. C Jayaraman, and commenced operations in 2000 for the export of wiring harness assemblies to OEMs in Europe. It subsequently diversified into the manufacturing of door and access systems (automatic/manual window regulators and door latches) through the acquisition of the related business of Arvin Meritor in 2001. AAPEPL has also actively focused on backward integration for manufacturing input components for door and access systems and has a separate components division for supplying input materials. The components division includes—(i) injection moulding, cold forging, and fine blanking processes at its Trichy plant, which was commissioned in 2008; (ii) manufacturing of small starter motors at its Doddaballapur plant, which was commissioned in 2010; and (iii) a stamping facility at the Doddaballapur plant, which was commissioned in 2010. From FY2012, AAPEPL backward integrated further into manufacturing tools and dies with the acquisition of the facilities of Nettur Technical Training Foundation in Bengaluru, an erstwhile vendor of the company. The promoter family owns an equity stake of 68.2% equity stake in the company while majority of the remaining stake is held by private equity firms.

Key financial indicators

Consolidated	FY2023	FY2024
Operating income	585.5	644.3
PAT	20.0	3.7
OPBDIT/OI (%)	4.6%	4.8%
PAT/OI (%)	3.4%	0.6%
Total outside liabilities/Tangible net worth (times)	1.6	1.1
Total debt/OPBDIT (times)	4.6	3.8
Interest coverage (times)	2.4	3.4

Amount in Rs. Crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with numbers reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Dec 31, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Short term-unallocated-	Short-Term	0.00	-	26-SEP-2023	[ICRA]A2	-	-	-	-
Short term-others-non fund based	Short Term	16.25	[ICRA]A2	26-SEP-2023	[ICRA]A2	27-JUN-2022	[ICRA]A2	-	-
Long term-term loan-fund based	Long Term	11.32	[ICRA]BBB+ (Positive)	26-SEP-2023	[ICRA]BBB+ (Stable)	27-JUN-2022	[ICRA]BBB+ (Stable)	-	-
Long term-cash credit-fund based	Long Term	83.85	[ICRA]BBB+ (Positive)	26-SEP-2023	[ICRA]BBB+ (Stable)	27-JUN-2022	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term-Term Loan	Simple
Long Term-Fund based/CC	Simple
Short Term-Non- fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term-Term Loan	Jan 2021	NA	FY2027	11.32	[ICRA]BBB+ (Positive)
NA	Long Term-Fund based/CC	NA	NA	NA	83.85	[ICRA]BBB+ (Positive)
NA	Short Term-Non- fund based	NA	NA	NA	16.25	[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Syneddyne Systems Private Limited	81.40%	Full Consolidation
Rehans Graphics Private Limited	99.97%	Full Consolidation
Aditya Avartan Technologies Private Limited	95.90%	Full Consolidation
Edscha Aditya Automotive Systems Private Limited	50.00%	Proportional Consolidation
Aditya Entuple Traction Technologies Private Limited	72.70%	Full Consolidation
Fees Mechatronik GmbH	51.00%	Full Consolidation

Source: Company

Corrigendum

Document dated December 31, 2024, has been corrected with revisions as detailed below:

Language changes have been made in statements that refer to the shareholding pattern.

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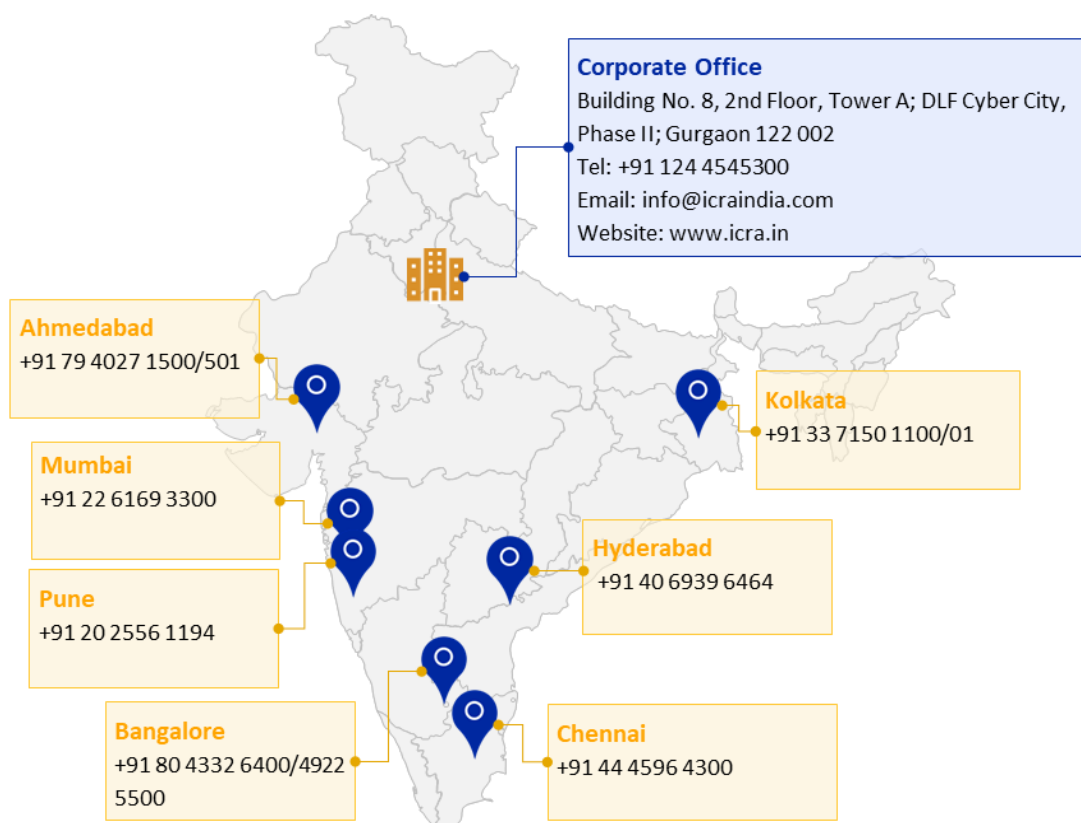
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