



Press Release

Taneja Aerospace and Aviation Ltd

September 18, 2020

Ratings

Facility*	Amount (Rs. Crore)	Current Rating	Previous Rating	Rating Action
Long Term Fund based facilities - Cash Credit	4.75	IVR BB- /Stable (IVR Double B Minus with Stable Outlook)	IVR BB- /Stable (IVR Double B Minus with Stable Outlook)	Reaffirmed
Long Term Fund based facilities - Term Loan	8.35	IVR BB- /Stable (IVR Double B Minus with Stable Outlook)	IVR BB- /Stable (IVR Double B Minus with Stable Outlook)	
Short Term Non-Fund based facilities - Bank Guarantee	11.00	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	
Total	24.10			

**Details of Facilities are in Annexure 1*

Detailed Rationale

The ratings is reaffirmed to the bank facilities of Taneja Aerospace and Aviation Ltd (TAAL) takes into account its experienced promoters, reputed clientele with diversified revenue profile with its presence in niche segment and strategic location of the airfield These are partially offset by customer concentration risk, average financial risk with moderate scale of operation & order book and complex nature of business.

Key Rating Sensitivities

Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis
- Improvement in the operating cycle leading to improvement in liquidity

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity on a sustained basis



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- Deterioration in the capital structure with overall gearing to more than 2x and/or deterioration in debt protection metrics
- Any adverse government regulations.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter and eminent board: TAAL was promoted by Mr. Salil Taneja in 1991. He is an MBA from Yale University and has over 25 years of industry experience. He currently continues on the Board as Non –Executive Director. Mr. Muralidhar Chetteti Reddy (alumnus of IIM Ahmedabad) is the Managing Director and responsible for the day-to-day operations of the company. The company has a varied Board of Directors which includes professionals with vast experience. Dr. Prahalada Ramarao (Padma Shri, 2015) is the Chairman of the Board. He is a distinguished scientist and former Director of Defense Research and Development Laboratory.

Diversified revenue profile: The company has a diversified revenue profile which major revenue is derived primarily from its two business segments i.e. aircraft parts manufacturing & maintenance and airfield divisions. The company earns revenue from the airfield division by leasing out the airstrip, along with night landing, hangar facilities and parking bays to aircrafts.

Presence in niche segment and strategic location of the airfield: The Company is in the niche business of manufacturing aero components, aero structures and aircraft assemblies. The facility of the company is favorably located at a distance of ~80 kms from Kempegowda International Airport, Bengaluru and ~25 kms from Electronic City, the hub of the software industry in India. The facility is spread over an extensive area of 248 acres which includes aircraft hangars and an airfield having airstrip of ~2.28 kms with night landing facilities.

Key Rating Weaknesses

Customer Concentration Risk: The Company has established relationship with reputed clientele like Air Works (India) Engg. Pvt. Ltd., Hindustan Aeronautics Limited (HAL),



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Vikram Sarabhai Space Centre (VSSC), Aeronautical Development Establishment (ADE), Indian Air Force etc. Despite its reputed clientele, the company remains exposed to customer concentration risk since 68% of the orders comes from top 5 clients which are government entities. .

Range bound and moderate scale of operation The total operating income of the company has remained in the range of Rs.30-Rs.35 crore over the past 4 years. The scale of operation continues to remain moderate in spite of the company being in business for over two decades. However, the total operating income of the company has marginally decreased from Rs.32.73 crore in FY2019 to Rs.32.25 crore in FY2020.

Average financial risk profile The EBITDA margin of the company has slightly decreased to 42.25% however it's in similar range as against FY2019. PAT margin has also slightly improved from 15.48% in FY2019 to 17.97% in FY2020. The debt protection measures are moderate with ISCR at 3.53x and DSCR at 1.06x in FY2020.

Moderate order book position: Aggregate amount of the orders outstanding from customer are partially or fully unsatisfied as on March 31, 2020 is INR 20.28 Crore of which 95.1% (Rs.19.31 Crore) due for delivery in 2020-21, 4.6% (Rs. 0.93 Crore) due for delivery in 2021-22 and 0.3% (Rs. 0.047 Crore due for delivery in 2022-23. This order book is moderate and provides limited revenue visibility in the short to medium run.

Complex nature of business: Manufacturing of aero components, aero structures and aircraft assemblies is complex in nature with various safety aspects, prolonged tests and trial procedures involved, resulting in delays. This might have an impact on the operation and business deliverables of the company. Administrative policy delays by various government agencies lead to cost escalation and business becomes economically unviable. Relaxation in FDI norms in aviation sector may potentially lead to intense competition.

Analytical Approach: Standalone

Applicable Criteria



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Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The Gross cash accruals are at Rs.9.80 crore against the term loan of Rs. 6.46 crore due for the next financial year. The company has availed the moratorium as per RBI guidelines. The current ratio is of 1.02 which is an average as on FY2020. The average CC utilization for past 12 months ending in July 2020 is at 86.28% and thus there is adequate cushion in the working capital limits.

About the Company

Taneja Aerospace and Aviation Limited (TAAL) was established in July 1991 as a private limited company. The company is involved in the manufacturing of aero components, aircraft modifications, maintenance and upgrades of aircraft assemblies.

TAAL was promoted by Mr. Salil Taneja, who has over 25 years of industry experience. Mr. Muralidhar Chetteti Reddy is the Managing Director and responsible for the day-to-day operations of the company. The company was listed on the Bombay Stock Exchange (BSE) on January 2001. Presently, Indian Seamless Enterprises Ltd. (ISEL) is the holding company of TAAL, with 50.75% of total shares as on June 30, 2020. The company is headquartered in Bengaluru with registered office in Denkanikottai, Tamil Nadu (near Hosur).

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	32.73	32.25
EBITDA	13.88	13.62
PAT	5.16	5.84
Tangible Net worth	92.52	98.38
EBITDA Margin (%)	42.41	42.25
PAT Margin (%)	15.48	17.97
Overall Gearing Ratio (x)	0.34	0.20

*As per Infomerics Standards



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For the quarter ended*	Q1FY2020	Q1FY2021
	Unaudited	Unaudited
Total Operating Income	7.73	5.94
EBITDA	3.98	2.52
PAT	1.87	0.90
EBITDA Margin (%)	36.20	29.87
PAT Margin (%)	24.13	15.19

*As per Infomerics Standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	September 04, 2019	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	4.75	IVR BB-/stable Outlook (IVR Double B Minus with Stable Outlook)	IVR BB-/stable outlook	NA	NA
2..	Term Loan	Long Term	8.35			NA	NA
3..	Bank Guarantee	Short Term	11.00	IVR A4 (IVR A Four)	IVR A4	NA	NA
Total			24.10				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	4.75	IVR BB-/stable Outlook (IVR Double
Long Term Bank Facilities – Term Loan	-	-	31-03-2023	8.35	B Minus with Stable Outlook)
Long Term Bank Facilities – Bank Guarantee	-	-	-	11.00	IVR A4 (IVR A Four
Total				24.10	