

Press Release

Cooper Gaskets Private Limited

November 30, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 5.20 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) to the Rs. 5.20 crore bank facilities of Cooper Gaskets Private Limited (CGPL). The outlook is '**Stable**'.

The Chandigarh based, Cooper Gaskets Private Limited (erstwhile Cooper India Gaskets) was established as a proprietorship firm in 1978 and the constitution was later changed to private limited company in 1994. The company is engaged in manufacturing of tractor parts such as gaskets, joints, among others. The manufacturing facility is located at Panchkula (Haryana) and has an installed capacity of 450 lakh strokes per annum with an average utilisation of ~75 percent. One stroke can manufacture 1-5 gaskets (pieces).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of CGPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

CGPL was established as a proprietorship firm in 1978, thus, having an operational track record of over four decades. The company is promoted by Mr. Mangat Rai Batta (Managing Director) with over three decades of experience in the automobile components industry. Hence, long track records of operations and vast experience of management has helped the company develop healthy relationship with its customers and suppliers. Acuité believes that CGPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Reputed clientele**

The company caters to reputed customers such as Mahindra & Mahindra Limited (M&M) and Royal Enfield Limited (REL) among others. The company has well established and long relationship of over three decades with these clients.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the company remained average marked by net worth of Rs.5.73 crore as on 31 March, 2018 as against Rs.5.55 crore as on 31 March, 2017. The gearing (debt-equity) stood low at 0.97 times as on 31 March, 2018 as against 0.96 times as on 31 March, 2017. The total debt of Rs.5.56 crore as on 31 March, 2018 mainly comprises Rs.5.26 crore of working capital facility, Rs.0.28 crore of unsecured loan and Rs. 0.02 crore of long term debt. Interest Coverage Ratio (ICR) stood at 1.47 times for FY2018 as against 1.37 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio remained at 0.05 times for FY2018 and for FY2017. Debt to EBITDA stood at 5.05 times in FY2018 as against 4.36 times in FY2017.

- **Small scale of operations and fluctuating margins**

The company has small scale of operations marked by operating income of Rs. 8.78 crore in FY2018 as against Rs. 8.05 crore in FY2017. However, it has reported operating revenue of Rs. 6.77 crore from April 2018-October 2018. Further, the company has orders in hand of Rs. 16.65 crore as on 31 October, 2018 which is to be executed by FY2020 thus showing revenue visibility over the near to medium term. EBITDA margins stood at 12.56 percent in FY2018 as against 15.24 percent in FY2017. Profit after Tax (PAT) margin stood at 2.16 percent in FY2018 as against 1.93 percent in FY2017.

• Working capital intensive operations

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 468 days for FY2018 as against 599 days for FY2017. This is mainly due to high inventory days of 461 days for FY2018 as against 577 days for FY2017. The company requires different varieties of materials to manufacture gaskets and hence, the inventory levels are high. The debtor days stood at 64 days for FY2018 as against 100 days for FY2017. Acuite believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Outlook: Stable

Acuite believes that CGPL will maintain a 'Stable' outlook in the medium term owing to its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and profitability while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8.78	8.05	6.00
EBITDA	Rs. Cr.	1.10	1.23	1.21
PAT	Rs. Cr.	0.19	0.15	0.13
EBITDA Margin	(%)	12.56	15.24	20.15
PAT Margin	(%)	2.16	1.93	2.10
ROCE	(%)	9.10	10.40	9.98
Total Debt/Tangible Net Worth	Times	0.97	0.96	1.00
PBDIT/Interest	Times	1.47	1.37	1.37
Total Debt/PBDIT	Times	5.05	4.36	4.43
Gross Current Assets (Days)	Days	468	599	760

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Sep-2017	Cash Credit	Long Term	5.20	ACUITE B- / Stable (Reaffirmed)
26-Sep-2016	Cash Credit	Long Term	5.20	ACUITE B- / Stable (Assigned)
23-Nov-2015	Cash Credit	Long Term	5.20	ACUITE D (Suspended)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.20	ACUITE B- / Stable (Reaffirmed)

Sublimit of Cash Credit includes Rs.0.40 crore of Letter of Credit.

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About Acuité Ratings & Research:

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