

May 06, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.50	SMERA BBB+/Stable (Assigned)
Term Loan	12.14	SMERA BBB+/Stable (Assigned)
Bank Guarantee	5.00	SMERA A2 (Assigned)

SMERA has assigned ratings of '**SMERA BBB+**' (read as **SMERA triple B plus**) to the Rs.14.64 crore long-term (fund based) bank facilities and '**SMERA A2**' (read as **SMERA A two**) to the Rs.5.00 crore short-term (non-fund based) bank facility of Best Koki Automotive Private Limited (BKAPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, healthy financial profile and comfortable liquidity position. However, the ratings are constrained by the company's modest-scale operations in a highly competitive segment of the auto components industry. The ratings note that the company is exposed to the inherent cyclicity in the automobile sector. The ratings also factor in risks related to the debt-funded capex planned by the company.

BKAPL, incorporated in 2008, is a Gurgaon-based company engaged in manufacturing of auto components. BKAPL is a joint venture between Best Auto Limited, India and Koki Technik Transmission Systems GmbH, Germany. BKAPL benefits from its experienced management. Mr. Nitesh Jain, managing director of BKAPL, has around two decades of experience in the auto components industry.

BKAPL's healthy financial profile is marked by low gearing (debt-equity ratio) of 0.32 times as on March 31, 2014 and strong interest coverage ratio of 7.14 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's comfortable profitability is reflected in operating profit margin of 10.57 per cent and net profit margin of 5.05 per cent in FY2013-14. BKAPL has registered strong revenue growth of 48 per cent (compound annual growth rate) during FY2010-11 to FY2012-13. The company's comfortable liquidity position is evidenced by moderate utilisation (61 per cent) of cash credit limit during March 2014 to March 2015.

BKAPL has modest-scale operations marked by operating income of Rs.59.23 crore in FY2013-14. The company faces intense competition from several players in the auto components industry. BKAPL is also exposed to the inherent cyclicity in the automobile sector.

BKAPL plans to shift its manufacturing facility to Bilaspur. The rent of the new premises is estimated at Rs.5.70 crore per annum. The company also plans to undertake debt-funded capex for adding four new assembly lines. Notwithstanding the benefits of this capacity expansion, SMERA believes the company's ability to register healthy growth in cash accruals is a key rating sensitivity.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Best Koki Automotive Private Limited (BKAPL)

*Rating
Rationale*

Outlook: Stable

SMERA believes BKAPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with business partners. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and cash accruals while maintaining a comfortable liquidity position. The outlook may be revised to 'Negative' in case of significant deterioration in the company's financial risk profile.

About the company

BKAPL, incorporated in 2008, is a Gurgaon-based company engaged in manufacturing of various types of auto components such as shift towers, shift forks and shafts. The company has a manufacturing unit in Gurgaon (Haryana), with total installed capacity of 0.19 crore units per annum. The current operations of the company are managed by Mr. S. K. Jain and Mr. Nitesh Jain.

For FY2013-14, BKAPL reported profit after tax (PAT) of Rs.2.99 crore on operating income of Rs.59.23 crore, as compared with PAT of Rs.3.27 crore on operating income of Rs.54.06 crore in FY2012-13. The company's net worth stood at Rs.26.17 crore as on March 31, 2014, as compared with Rs.20.68 crore a year earlier.

BKAPL registered revenue of Rs.87.66 crore (provisional) in FY2014-15. The company's net worth stood at Rs.31.80 crore (provisional) as on March 31, 2015

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email : antony.jose@smera.in Web: www.smera.in	Parimal Thakker Manager –Operations Tel: +91-011-41806663 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.