

Best Koki Automotive Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Term Loan	22.14	SMERA BBB+/Stable (Suspension Revoked /Rating Assigned)
Cash Credit	2.50	SMERA BBB+/Stable (Suspension Revoked /Rating Assigned)
Bank Guarantee	5.00	SMERA A2 (Suspension Revoked /Rating Assigned)

SMERA has revoked the suspension on the Rs.29.64 crore fund based bank facilities of Best Koki Automotive Private Limited (BKAPL) and assigned ratings of '**SMERA BBB+**' (read as **SMERA triple B plus**) and '**SMERA A2**' (read as **SMERA A two**) . The outlook is '**Stable**'.

SMERA had on August 02, 2016 suspended the rating for lack of necessary information from BKAPL. The company has now shared the requisite information, enabling SMERA to assign a rating to the bank facilities.

The ratings are supported by the company's experienced management and prudent financial risk profile. The ratings are further supported by the modest growth in revenues and comfortable liquidity position. However, the ratings are constrained by risks related to the company's debt-funded capex plan. The ratings factor in the high dependence on the auto sector and intense competition in the auto components industry. SMERA also notes the decline in coverage indicators and net profit margins in FY2015-16.

BKAPL, incorporated in 2008, is a Gurgaon-based company engaged in the manufacture of automotive transmission systems such as shift tower, shift fork and shaft. The company is a joint venture between Best Auto Limited (BAL) and the Germany-based, Koki Technik Transmission Systems GmbH (KTTSG) with each holding 50 per cent stake. BKAPL sells its products to Original Equipment Manufacturers (OEM's) in India as well as overseas.

The company benefits from its experienced management. Mr. Nitesh Jain, Managing Director, has around two decades of experience in the automotive transmission business. The prudent financial risk profile is reflected in the low gearing (debt-equity ratio) of 0.57 times as on March 31, 2016 as compared to 0.48 times as on March 31, 2015. The company's revenue have grown from Rs.87.30 crore in FY2014-15 to Rs.101.55 crore in FY2015-16 on account of repeat orders. BKAPL's comfortable liquidity position is evident from its low bank limit utilisation of 47 percent for the period April 2016 to October 2016 and comfortable net cash accrual to total debt of 0.32 times in FY2015-16.

Plans are on to expand capacity at an estimated project cost of Rs.18.00 crore, to be funded through promoters' contribution of Rs.3.00 crore and term loan of Rs.15.00 crore. The company also plans to shift to new premises in FY2017-18. Notwithstanding the benefits of capacity expansion, SMERA believes that the company's ability to register healthy growth in cash accruals is a key rating sensitivity.

The revenue profile of BKAPL is highly dependent on performance of the intensely competitive automobile industry. The interest coverage ratio declined to 5.27 times in FY2015-16 (refers to financial year, April 01 to March 31) from 9.73 times in the previous year. The company registered net profit margins of 4.56 per cent in FY2015-16 as compared to 6.03 times in FY2014-15.

Rating Sensitivity Factors

- Movement in profitability and debt coverage indicators
- Scaling up operations

Outlook-Stable

SMERA believes that BKAPL will maintain a stable outlook over the medium term owing to 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. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the company's financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

BKAPL, incorporated in 2008, is a Gurgaon-based company engaged in the manufacture of automotive transmission systems such as shift tower, shift fork and shaft at Haryana. The total installed capacity of the company stands at 0.24 crore units per annum. The current operations are managed by Mr. S K Jain and Mr. Nitesh Jain.

For FY2015-16, BKAPL reported profit after tax (PAT) of Rs.4.63 crore on operating income of Rs.101.55 crore, as compared with PAT of Rs.5.26 crore on operating income of Rs.87.30 crore in FY2014-15. The company's net worth stood at Rs.42.91 crore as on March 31, 2016, as compared with Rs.31.41 crore a year earlier.

Rating History

Date	Facilities	Amount	Ratings		Outlook
		(Rs. Crore)	Long Term	Short Term	
02 August, 2016	Term Loan	12.14	SMERA BBB+ (Suspended)	-	Stable
	Cash Credit	2.50	SMERA BBB+ (Suspended)	-	Stable
	Bank Guarantee	5.00	-	SMERA A2 (Suspended)	-
06 May, 2015	Term Loan	12.14	SMERA BBB+ (Assigned)	-	Stable
	Cash Credit	2.50	SMERA BBB+ (Assigned)	-	Stable
	Bank Guarantee	5.00	-	SMERA A2 (Assigned)	-

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.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.