

Press Release

Best Koki Automotive Private Limited

September 07, 2021

Rating Reaffirmed, Assigned and Withdrawn



Total Bank Facilities Rated*	Rs. 59.00 Cr.
Long Term Rating	ACUITE BBB+/Stable Outlook Revised (Reaffirmed, assigned & withdrawn)
Short Term Rating	ACUITE A2 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 37.00 Crore bank facilities of Best Koki Automotive Private Limited. The outlook is revised from '**Negative**' to '**Stable**'.

Acuite has withdrawn the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 43.50 Crore bank facilities of Best Koki Automotive Private Limited.

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 22.00 Crore bank facilities of Best Koki Automotive Private Limited (BKAPL). The outlook is revised from '**Negative**' to '**Stable**'.

The rating is reaffirmed and the outlook is revised from negative to stable. Although company's revenue have declined during the past year due to covid-19 pandemic followed by nationwide lockdown, the company was still able to achieve a satisfactory level of revenue. Witnessing continuous improvement in financial risk profile with sufficient net cash accruals and healthy order book position provides revenue visibility for the current financial year.

About the Company

BKAPL, incorporated in 2008, is a Gurgaon-based company engaged in manufacturing of various kinds of automotive transmission systems such as shift tower, shift fork and shaft. BKAPL is a joint venture between India based, Best Auto Private Limited (BAPL) and Germany-based, Koki Technik Transmission Systems GmbH (KTT) with shareholding of 52.67% and 47.33% respectively. BKA mainly supply its products in both the domestic and overseas market to Original Equipment Manufacturers (OEM's).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BKAPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track long and long standing experience of promoters

BKAPL has an established track record of more than a decade in the auto ancillary industry. The company also benefits from the extensive experience of its management - the Directors, Mr. S. K. Jain, Mr. Nitesh Jain, Mr. Nifin Jain, Mr. Carsten Fuchs, Mr. Daniel Sonntag and Mr. Ralph Rumberg. BAL and KTT have been in the auto ancillary industry for 20 years and 18 years, respectively. The management also has experience through associate company, Madhusudan Auto Limited, since 1991. The company is engaged in the manufacturing of automotive parts for the passenger car segment and benefits from its association with Koki Technik Transmission Systems GmbH for procurement and technology support. The senior management is ably

supported by a competent second line of management.

The established presence and experienced management has helped the company to maintain long standing relations with reputed clients including Maruti Suzuki India Limited, Mahindra & Mahindra Limited, Fiat Automobiles and Renault India Private Limited.

Acuite believes that the company will continue to benefit through the established relationships with its customers over medium term.

• **Healthy Financial Risk Profile**

Company's financial risk profile remained healthy marked by high net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.69.63 Crore as on 31 March 2021 (Provisional) as against Rs.22.46 Crore as on 31 March 2020. The gearing level (debt-equity) stood low at 0.32 times as on 31 March 2021 (Provisional) as against 0.54 times in 31 March 2020. The total debt of Rs.22.46 Crore as on 31 March 2021 (Provisional) consists of secured loan of Rs.11.61 Crore and working capital borrowings of Rs.10.85 Crore. The interest coverage ratio (ICR) stood comfortable at 5.82 times in FY2021 (Provisional) as against 4.79 times in FY2020. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.66 times in FY2021 (Provisional) as against 0.40 times in FY2020. DSCR stood strong at 1.48 times in FY2021 (Provisional) as against 1.25 times in FY2020. Debt-EBITDA stood at 1.19 times in FY2021 (Provisional) as against 1.95 times in FY2020. Acuite believes that the financial risk profile of the company is expected to remain healthy backed by high net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

• **Intensive working capital management of operations**

The working capital management of the company is intensive in FY2021 (Provisional) marked by Gross Current Assets (GCA) of 234 days in FY2021 (Provisional) as against 209 days in FY2020. This is mainly because of high other current assets which have a major amount of unadjusted GST. The inventory and debtor levels stood at 98 days and 83 days in FY2021 (Provisional) as against 121 days and 65 days in FY2020, respectively. As the company majorly imports their raw material, they need to keep high raw material inventory. The creditor days stood at 234 days in FY2021 (Provisional) as against 156 days in FY2020. Acuite believes that the working capital requirements will continue to remain intensive over the medium term on account of high debtors and inventory days.

While, the working capital requirement is declining year on year as the company is generating sufficient amount of net cash accrual during the year. As a result, the average utilization of bank limits stood low at ~69 per cent in the last six months ending July 2021.

• **Highly fragmented and competitive nature of the industry**

The rating continues to reflect the highly competitive and fragmented nature of the automotive components industry. Consequently, BKAPL's operating profit margin continued to remain modest at 2.26 per cent in FY2021 (Provisional) as compared to 2.77 per cent in FY2019. Acuite believes that sustained improvement in BKAPL's profitability margins over the medium term shall be instrumental in improving the company's business risk profile.

Rating sensitivity

- Healthy order book position of Rs.176.27 crore for FY2022 gives revenue visibility for the current financial year.

Material Covenant

None

Liquidity position: Strong

The Company has Strong liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.14.71 Crore in FY2021 (Provisional) as against CPLTD of Rs.8.92 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.16.00 Crore to Rs.19.00 Crore during FY2022-24 against CPLTD not more than Rs.6.00 Crore each year for the same period. Company's working capital operations are intensive marked by gross current asset (GCA) days of 234 days in FY2021 (Provisional).

The average utilization of bank limits stood low at ~69 per cent in the last six months ending July-2021. Company maintains unencumbered cash and bank balances of Rs.9.12 Crore as on 31 March 2021 (Provisional). The current ratio stands at 1.13 times as on 31 March 2021 (Provisional).

Outlook Revision: Stable

Acuite has revised the outlook from 'Negative' to 'Stable' over the medium term owing to its experienced management, long standing relationships with customers, healthy order book position and significant growth expected in automobile industry. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue and profitability while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' if the company undertakes higher than expected debt funded capital expenditure resulting in deterioration in its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	143.25	156.05
PAT	Rs. Cr.	3.23	3.20
PAT Margin	(%)	2.26	2.05
Total Debt/Tangible Net Worth	Times	0.32	0.54
PBDIT/Interest	Times	5.82	4.79

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
November 12, 2019	Cash Credit	Long Term	2.50	ACUITE BBB+/Negative (Reaffirmed)
	Term Loan	Long Term	6.00	ACUITE BBB+/Negative (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+/Negative (Reaffirmed)
	Term Loan I	Long Term	10.00	ACUITE BBB+/Negative (Reaffirmed)
	Term Loan II	Long Term	12.00	ACUITE BBB+/Negative (Reaffirmed)

	Cash Credit	Long Term	15.00	ACUITE BBB+/Negative (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Proposed Long Term Facility	Long Term	0.50	ACUITE BBB+/Negative (Assigned)
June 27, 2019	Cash Credit	Long Term	2.50	ACUITE BBB+ (Indicative)
	Term Loan	Long Term	13.50	ACUITE BBB+ (Indicative)
	Cash Credit	Long Term	5.00	ACUITE BBB+ (Indicative)
	Term Loan	Long Term	30.00	ACUITE BBB+ (Indicative)
	Bank Guarantee	Short Term	3.00	ACUITE A2 (Indicative)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Indicative)

***Annexure – Details of instruments rated**

Lenders Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
IDBI Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB+ (Withdrawn)
IDBI Bank	Term Loan	Not Available	Not Available	Not Available	6.00	ACUITE BBB+ (Withdrawn)
RBL Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+ (Withdrawn)
RBL Bank	Term Loan I	Not Available	Not Available	Not Available	10.00	ACUITE BBB+ (Withdrawn)
RBL Bank	Term Loan II	Not Available	Not Available	Not Available	12.00	ACUITE BBB+ (Withdrawn)
Citi Bank	Cash Credit*	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+ Outlook Revision: Negative to Stable (Reaffirmed)

Citi Bank	Term Loan	01-March-2021	7.50%	29-April-2023	7.00	ACUITE BBB+/Stable (Assigned)
Yes Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+/Stable (Assigned)
IDBI Bank	Bank Guarantee	02-February-2017	9.05%	02-May-2023	3.00	ACUITE A2 (Withdrawn)
IDBI Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2 (Withdrawn)
Not Applicable	Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB+/Stable Outlook Revision: Negative to Stable (Reaffirmed)

*Cash credit include Rs.12.00 Crore of sub-limit as WCDL.

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About Acuité Ratings & Research:

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