



Press Release
Best Koki Automotive Private Limited
February 19, 2024
Rating Upgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	52.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	7.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	52.00	-	-
Total Withdrawn Quantum (Rs. Cr)	7.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) from '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs. 52.00 Cr. bank facilities of Best Koki Automotive Private Limited (BKAPL). The outlook is '**Stable**'.

Acuite has also withdrawn the long-term rating on the bank facilities of Rs.7.00 Cr. of Best Koki Automotive Private Limited (BKAPL) without assigning any rating as the Instrument is fully repaid. The rating is being withdrawn on account of the request received from the company and the loan closure letter/NDC received from the bankers as per Acuite's policy on withdrawal of ratings.

Rationale for rating upgrade

The rating upgrade of BKAPL takes into account improvement in the company's operating performance of FY2023 marked by its improved revenue to Rs.197 Cr in FY2023 as against Rs.148 Cr in FY2022, marking a significant growth of ~33 percent and has achieved this on account of overall improvement in demand from the automobile industry post the reduced effect of covid-19 pandemic. Further, the profitability margins of the company also stood improved during the year with its operating margin at 8.06 percent in FY2023 as against 3.97 percent in FY2022, and the net profit margin of 1.70 percent in FY2023 as against (3.08) percent in FY2022.

The rating also draws comfort from the company's experienced management, established track record of operations, reputed clientele and healthy financial risk profile marked by its moderate net worth, low gearing and healthy debt protection metrics. The rating is however constrained on account of company's moderately intensive working capital operations marked by its GCA days of 138 days and presence in a highly competitive and cyclical nature of the industry.

Going forward, ability of BKAPL to sustain stable growth its scale of operations and profitability margins while maintaining an efficient working capital cycle will remain key rating sensitivity factors.

About the Company

Best Koki Automotive Private Limited (BKAPL), incorporated in 2008, is a Gurgaon-based company engaged in the manufacturing of various kinds of automotive transmission systems

such as shift towers, shift forks and shafts. The company mainly supply its products in both the domestic and overseas market to various Original Equipment Manufacturers (OEM's). The

company is managed by its directors, Mr. S. K. Jain, Mr. Nitesh Jain and Mr. Nitin Jain.

Unsupported Rating

Not applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management with an established track record of operations and reputed clientele

BKAPL has an established track record of over a decade in the auto ancillary industry. 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 company is managed by its directors, Mr. S. K. Jain, Mr. Nitesh Jain and Mr. Nitin Jain who possess an extensive experience of over two decades in the auto industry. The senior management is ably supported by a competent second line of management. The established presence and experienced management have helped the company to maintain a long-standing relationship with its reputed clienteles such as Maruti Suzuki India Limited, Mahindra & Mahindra Limited, Renault India Private Limited amongst others from whom they receive repetitive orders.

Acuité believes that the company will continue to benefit from its experienced management and established track record of operations.

Healthy financial risk profile

Financial risk profile of BKAPL is healthy marked by moderate net worth, low gearing and healthy debt protection metrics. The tangible net-worth of the company stood at Rs.54 Cr as on 31 March, 2023 as against Rs.56 Cr as on 31 March, 2022. The moderation in the company's tangible networth is on account of equity share capital of the company which got reduced to Rs.7 Cr in FY2023 as against Rs.15 Cr in FY2022 due to buy back of equity shares worth Rs.8 Cr which were held by the German based company, Koki Technik Transmissions Systems GmbH, through its joint venture with Best Auto Private Limited (BAPL), India, which got demerged in February 2023. The gearing (debt-equity) stood lower albeit marginally increased to 0.45 times as on 31 March, 2023 as against 0.38 times as on 31 March, 2022 due to an increase in the overall debt profile of the company which comprises of only the short term bank borrowings of Rs.24 Cr in FY2023 as against Rs.21 Cr in FY2022. The gearing is however expected to improve further and remain low over the medium-term in the absence of any debt-funded capex.

The interest coverage ratio and DSCR stood healthy at 10.64 times and 3.66 times for FY2023 as against 3.59 times and 1.00 times for FY2022 respectively. The Net Cash Accruals to Total debt stood at 0.52 times for FY2023 as against 0.28 times for FY2022. The Total outside liabilities to Tangible net worth stood at 1.33 times for FY2023 as against 1.75 times for FY2022. The Debt-EBITDA ratio stood improved at 1.48 times for FY2023 as against 3.36 times for FY2022.

Acuité believes that the financial risk profile of BKAPL will remain healthy over the medium term due to its low gearing, moderate tangible net worth and healthy debt protection metrics.

Improved operating performance

The revenue of BKAPL increased significantly by 33 percent to Rs.197 Cr in FY2023 as against Rs.148 Cr in FY2022, on account of overall improvement in demand from the automobile industry post the reduced effect of covid pandemic. Domestic sales of the company which contributed to ~99 percent of the revenue, stood increased at Rs.190 Cr in FY2023 as against

Rs.140 Cr in FY2022. Further the profitability margins of the company improved during the year with its operating margin at 8.06 percent in FY2023 as against 3.97 percent in FY2022, and the net profit margin at 1.70 percent in FY2023 as against (3.08) percent in FY2022.

In 9MFY2024, BKAPL has achieved revenue of ~Rs.142 Cr as against ~Rs.149 Cr in 9MFY2023 and is further expected to achieve revenue of ~Rs.200 Cr by the end of the year marked by stable demand of automotive products across the industry.

Acuité believes that the ability of BKAPL to sustain stable growth in its scale of operations and profitability margins will remain a key rating sensitivity factor.

Weaknesses

Moderately intensive working capital operations

The working capital operations of BKAPL are moderately intensive marked by its Gross Current Assets (GCA) of 138 days for FY2023 which stood improved as against 195 days for FY2022. This is on account of its inventory and receivables cycle which stood improved at 82 days and 53 days for FY2023 as against 111 days and 75 days for FY2022 respectively. In general, the company follows an average inventory cycle of nearly 3 to 4 months and provides credit period of nearly 60 to 90 days to its customers. On the other hand, the creditors cycle of the company stood improved at 78 days for FY2023 as against 223 days for FY2022. The average bank limit utilization for 6 months' period ended January 2024 stood at ~58 percent.

Acuité believes that the ability of BKAPL to maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Cyclicality and competition associated with automotive component industry

The auto component industry is highly competitive due to competition from organized and unorganized players. It is also highly cyclical in nature with growth linked to overall growth in the economy and consumption.

Acuité believes that BKAPL's revenues to be exposed and tied to cyclical demand prospects of the automobile industry and the presence of other players which leads to increased competition.

Rating Sensitivities

- Ability to maintain stable growth in the scale of operations and profitability margins
- Ability to maintain an efficient working capital cycle

Liquidity Position - Adequate

BKAPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.6 Cr to Rs.13 Cr during FY2021 to FY2023 against its debt repayment obligation in the range of Rs.1 Cr to Rs.6 Cr during the same period. Going forward, the NCA are expected in the range of Rs.16 Cr to Rs.21 Cr for the period FY2024-FY2025 against no debt repayment obligation during the same period. However, the working capital operations of the company are moderately intensive marked by its gross current asset (GCA) days of 138 days for FY2023. The average bank limit utilization for 6 months' period ended January 2024 stood at ~58 percent. Current ratio stands at 1.03 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.3 Cr in FY2023.

Acuité believes that the liquidity of BKAPL is likely to remain adequate over the medium term on account of sufficient cash accruals against no maturing debt obligations.

Outlook: Stable

Acuité believes that BKAPL will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations, reputed clientele and healthy financial risk profile. The outlook may be revised to 'Positive' in case of

higher-than-expected growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	196.56	148.13
PAT	Rs. Cr.	3.35	(4.56)
PAT Margin	(%)	1.70	(3.08)
Total Debt/Tangible Net Worth	Times	0.45	0.38
PBDIT/Interest	Times	10.64	3.59

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

Not applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Dec 2022	Term Loan	Long Term	7.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Proposed Bank Facility	Long Term	22.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
07 Sep 2021	Proposed Bank Facility	Long Term	22.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Long Term	5.00	ACUITE A2 (Withdrawn)
	Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE BBB+ (Withdrawn)
	Term Loan	Long Term	6.00	ACUITE BBB+ (Withdrawn)
	Bank Guarantee	Long Term	3.00	ACUITE A2 (Withdrawn)
	Term Loan	Long Term	7.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB+ (Withdrawn)
	Term Loan	Long Term	10.00	ACUITE BBB+ (Withdrawn)
	Term Loan	Long Term	12.00	ACUITE BBB+ (Withdrawn)
	Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
CITI Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
CITI Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Apr 2023	Simple	7.00	Not Applicable Withdrawn

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Nilesh Soni Senior Analyst-Rating Operations Tel: 022-49294065 nilesh.soni@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité 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. Ratings assigned by Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Ratings assigned by Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.