

Press Release

10 May, 2017

Komos Automotive India Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.69.68 Cr
Long Term Rating	SMERA BB-/ Outlook: Stable
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 69.68 crore bank facilities of Komos Automotive India Private Limited. The outlook is '**Stable**'.

Komos Automotive India Private Limited (KA IPL), a wholly owned subsidiary of Komos Co Ltd, Korea is a tier-I supplier of car spare parts and accessories for Hyundai Motors India Limited (HMIL).

Key Rating Drivers

Strengths

- **Established track record and experienced management**

KA IPL, incorporated in 2006 is engaged in the manufacturing of steering wheels, horn covers, consoles and trim, pillar parts and clutch assembly for Hyundai models such as i10, i20, EON, Verna, Elantra. The company is led by Mr. Wook Hee Nam (Managing Director) who possesses over 20 years of experience in the said line of business.

- **Continuous funding support from Komos Group**

KA IPL is a part of Komos group - Korea. Komos Co Ltd, the parent company holds 99.99 percent stake in KA IPL and is a Tier I supplier for Hyundai Motors, Korea. KA IPL manufactures high end quality products for Hyundai and gets technical support from the parent company. KA IPL procures ~35 per cent raw material from Komos Co Ltd and its associate companies, Seojin Industrial Co Ltd and Seojin Automotive Co Ltd of Korea. Further, Komos Co Ltd has infused capital in the form of equity shares (Rs.28.96 cr in FY2015). For FY2016, Komos Co Ltd achieved profit after tax (PAT) of Rs. 17.88 cr on operating income of Rs. 1306.13 cr compared to PAT of Rs.7.29 cr on operating income of Rs. 1343.11 cr in FY2015. The financial risk profile is healthy marked by net worth of Rs. 195.20 cr as on December 31, 2016 compared to Rs. 180.17 cr as on December 31, 2015. The debt equity ratio (gearing) stood at 1.72 times as on December 31, 2016 compared to 1.64 percent as on December 31, 2015. The interest coverage stood comfortable at 4.81 percent while DSCR stood at 4.40 times in FY2016.

- **Reputed clientele**

KA IPL generates ~90 percent revenue from HMIL.

- **Healthy revenue growth**

KAIPL's revenue is healthy marked by CAGR of 26.55 percent from FY2013 to FY2016. The company registered revenue of Rs.354.39 cr in FY2016, an increase from Rs.281.36 cr in FY2015. Further, the company achieved revenue of Rs.344.22 cr from April 2016 to February 2017.

- **Comfortable working capital**

KAIPL's working capital operations are moderate as reflected in its GCA of 149 days as on March 31, 2016 as against 130 days as on March 31, 2015. The working capital cycle is negative and comfortable due to the elongated credit received from suppliers - group companies. The average six months utilisation of working capital facility ended February 2017 stood at ~82.06 percent.

Weaknesses

- **Weak profitability**

The EBITDA margins are weak and stood at ~0.51 percent in FY2016, a decline from 2.14 percent in FY2015. This was on account of increase in raw material prices and forex loss of Rs.9.00 cr in FY2016. Further, the company registered PAT loss for the past three years ending FY2016. For FY2016, the company registered PAT loss of Rs.9.13 cr as against Rs.8.71 cr in FY2015.

- **Weak financial risk profile**

The financial risk profile is weak marked by moderate net worth of Rs.15.04 cr as on 31 March, 2016, a decline from Rs.24.17 cr as on 31 March, 2015. The company reported high gearing (debt to equity) of 4.10 times as on 31 March, 2016 as against 2.36 times as on 31 March, 2015. The debt protection metrics are low as interest coverage ratio (ICR) stood at 0.38 times in FY2016 against 1.16 times in FY2015. The DSCR stood low at 0.12 times for FY2016 against 0.55 times in FY2015. The company availed unsecured loan of Rs. 13.26 cr which the company plans to repay as lump sum in January 2019. The TOL/TNW levels were high at 16.15 times in FY2016.

- **Susceptibility of profit margins to fluctuations in raw material prices**

Around 35 per cent of the raw material is imported from Komos Co Ltd and associate companies. In FY2016, the company reported PAT loss of Rs.9.13 cr mainly due to forex loss of Rs.9.00 cr. Hence the profit margins are exposed to fluctuations in forex rates, in the absence of adequate hedging policy.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of KAIPL.

Outlook: Stable

SMERA believes that the outlook on KAIPL will remain 'Stable' over the medium term on account of its experienced management and parent company support. The outlook may be revised to 'Positive' in case of further improvement in the scale of operations, profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile or profit margins on account of fluctuations in forex rates.

About the Rated Entity - Key Financials

For FY2015-16, KAIPPL reported net loss of Rs.9.13 cr on operating income of Rs.354.39 cr as compared with net loss of Rs.8.71 cr on operating income of Rs.281.36 cr in the previous year. The net worth stood at Rs.15.04 cr as on March 31, 2016 compared to Rs.24.17 cr in the previous year.

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

ICRA in its press release dated September 30, 2014 had inter-alia mentioned the following 'ICRA has suspended the rating of [ICRA]BB (pronounced ICRA double B) assigned to the Rs.16.93 crore term loan facilities and the Rs.20.00 crore long term fund based facilities of Komos Automotive India Private Limited ('KAIPPL' / 'the company'). ICRA has also suspended the rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs.3.00 crore short term non fund based facilities and the Rs.7.00 crore short term non fund based facilities (sub limit) of the company. The suspension follows ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the Company.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	7.00	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	45.80	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.88	SMERA A4

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ABOUT SMERA

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