

## Press Release

### Karan Automotives Private Limited

21 March, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 13.50 Crore.
<b>Long Term Rating</b>	SMERA BB-/ Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 13.50 crore bank facilities of Karan Automotives Private Limited (KAPL). The outlook is '**Stable**'.

The Delhi-based Karan Automotives Private Limited (KAPL) promoted by Mr. Ravinder Singh was incorporated in 2003. The company is engaged in the manufacturing of manipulated tubular components, sheet metal parts, precision turned components and fabricated assemblies for the automobile and heavy engineering industries.

### Key rating drivers

#### Strengths

##### **Experienced management and long track record of operations**

KAPL was incorporated as a proprietorship firm in 1998 by Mr. Ravinder Singh and converted to a private limited company in 2003. Mr. Singh has experience of more than three decades in the aforementioned industry.

#### Reputed clientele

The company manufactures components for four wheelers and two wheelers. It also caters to the heavy engineering industry. The company generates around 80 percent revenue from the automobile industry and the rest from heavy engineering products. Out of the 80 percent, more than 50 percent revenue is generated from Maruti Suzuki Limited and Honda Motorcycle & Scooters India Ltd.

#### Weaknesses

##### **Moderate financial risk profile**

The financial risk profile of KAPL is moderate marked by net worth of Rs.7.02 as on 31 March, 2017 as against 6.75 times as on 31 March, 2016. The gearing stood at a high of 2.51 times as on 31 March, 2017 as against 2.70 times as on 31 March, 2016. The Interest Coverage Ratio stood at 1.74 times as on 31 March, 2017 as against 1.77 times as on 31 March, 2016. The Debt Service Coverage Ratio stood at 1.15 times as on 31 March, 2017 as against 1.14 times in the previous year.

## Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) days of 168 in FY2017 as against 162 in FY2016. The GCA days are mainly dominated by high receivables of 109 days in FY2017 as against 100 days in FY2016. Further, the bank limit utilisation for the past six months stood at an average of 85 percent.

## Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Karan Automotives Private Limited to arrive at the rating.

## Outlook - Stable

SMERA believes that KAPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	98.92	94.42	97.81
EBITDA	Rs. Cr.	3.76	4.10	4.44
PAT	Rs. Cr.	0.31	0.40	0.12
EBITDA Margin	(%)	3.80	4.34	4.54
PAT Margin	(%)	0.31	0.42	0.13
ROCE	(%)	10.18	11.11	22.84
Total Debt/Tangible Net Worth	Times	2.51	2.70	3.06
PBDIT/Interest	Times	1.74	1.77	1.59
Total Debt/PBDIT	Times	4.64	4.40	4.48
Gross Current Assets (Days)	Days	168	162	145

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

None

## Any other information:

Not Applicable

## 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

### 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB-/ Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.65	SMERA BB-/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.35	SMERA BB-/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+

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### ABOUT SMERA

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