

Press Release

Techno Auto Components (India) Private Limited

May 22, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 crore
Long Term Rating	SMERA B+/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4**' (read as SMERA A four) to Rs.10.00 crore bank facilities of Techno Auto Components (India) Private Limited (TAC). The outlook is '**Stable**'.

TAC was incorporated in 1995. Ms. Varsha Karan Singh and Mr. Hemant Mahajan are the Directors and handle the day to day administration of the company. The company is engaged in the manufacture of rubber-based components for two-wheeler and three-wheeler automobiles.

Key Rating Drivers

Strengths

- **Experienced promoters and reputed client base**

Mr. Sushant Chhabra and Ms. Bala Chhabra, the promoters of the company have long experience of more than two decades in the automotive components industry. This long experience has helped them in developing good relations with reputed customers. TAC is one of the biggest suppliers of rubber based parts for Hero Honda Motors Ltd and other clients include New Holland Fiat India Limited among others.

Weaknesses

- **Modest scale of operations**

The operations continues to remain modest evident from operating income of Rs.61.68 crore in FY2016-17 due to competitive nature of market. The company has registered total revenue of Rs.77.24 crore during FY2017-18 (Provisional).

- **Working capital intensive**

The company has working capital intensity nature of operations with Gross Current Asset (GCA) of 272 days in FY2017, which mainly constitutes of inventory holding of 21 days and high debtors of 213 days in FY2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of TAC to arrive at this rating.

Outlook: Stable

SMERA believes that TAC's business risk profile will remain 'Stable' over the medium term backed by its healthy relations with customers and suppliers and the extensive industry experience of its promoters. The outlook may be revised to 'Positive' if the company's scale of operations improves significantly, most likely through healthy order flows from its key clientele, coupled with higher profitability and prudent management of its working capital requirements. Conversely, the outlook may be revised to 'Negative' if company's profitability declines further, leading to lower-than-expected cash accruals, or large debt funded capital expansion or elongation in working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	61.68	62.83	65.65
EBITDA	Rs. Cr.	4.72	5.93	5.36
PAT	Rs. Cr.	0.89	2.52	1.43
EBITDA Margin	(%)	7.65	9.44	8.17
PAT Margin	(%)	1.44	4.02	2.18
ROCE	(%)	9.25	11.67	18.11
Total Debt/Tangible Net Worth	Times	0.59	0.77	0.82
PBDIT/Interest	Times	1.88	2.97	3.41
Total Debt/PBDIT	Times	2.65	2.67	2.99
Gross Current Assets (Days)	Days	272	184	142

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

None

Any other information:

None

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments-<https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities-<https://www.smera.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
Open Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+ / Stable
Inland letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4

Contacts:

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Debalina Maity Rating Analyst- Rating Operations Tel: 033-6620-1212 debalina.maity@smera.in	

ABOUT SMERA

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