

Press Release

Techno Auto Components (India) Private Limited (TACPL)

Aug 07, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

Haryana-based, Techno Auto Components (India) Private Limited (TACPL) was incorporated in 1994 by Mr. Sushant Chhabra and Ms. Bala Chhabra. The company is a part of Unitech machines group comprising of Alpha Toyo Limited (ATL), UM Autocomp Private Limited (UMAPL), Trading Engineers International Limited (TEIL), Nikko Auto Limited (NAL) and Techno Auto components (India) private limited (TACPL). The company is engaged in the manufacturing of rubber and rubber to metal bonded components for 2 and 3 Wheelers, like Rubber Bellows, Rubber Steps, Rubber packing, Torque Dampers, Handle Grip, and Rubber bushing to name of few.

About the group

Unitech Machines (UM) group is a conglomerate and has presence in various sectors comprising of Automobile, Engineering, Manufacturing, Power, Oil & Gas and Telecom via group companies. The group began its operations by the incorporation of TEIL in 1972 followed by the incorporation of ATL, NAL, TACPL and UMAPL in the years 1978, 1983, 1994 and 2016 respectively.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

TACPL was incorporated in 1995 thus the company has a track record of operation of 24 years. The promoters of the company Mr. Sushant Chhabra and Ms. Bala Chhabra have extensive experience of more than two decades in the automotive components industry through the group companies. The long experience of the promoters 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 New Holland Fiat India Limited to name a few.

Weaknesses

- **Working capital intensive operations**

The working capital operations of TACPL are intensive marked by high gross current assets (GCA) of 312 days in FY2019 (Provisional) as against 303 days in FY2018. This is on account of high debtor collection period which stood at 255 days in FY2019 (Provisional) as against 236 days in FY2018. The inventory holding period stood at 18 days in FY2019 (Provisional). Further the Creditors stood high at

289 days in FY2019 (Provisional) as against 273 days in FY2018.

- **Susceptibility of profitability to fluctuations in raw material prices**

Operating margins of the company are susceptible to changes in the prices of natural rubber which are highly volatile. Any abrupt change in raw material prices can lead to distortion in market prices and affect the profitability of players. Operating margins of the company declined to 4.83 percent in FY2019 (Provisional) to 5.24 percent in FY2018.

- **Highly competitive and fragmented nature of industry**

The company is operating in a highly competitive and fragmented industry with large number of organized and unorganized players present in the market which limits the bargaining power of the company. However the risk is mitigated to an extent on account of established track record of operations and experienced management.

Liquidity position

TACPL has average liquidity marked by average net cash accruals to its maturing debt obligations and bank limit utilization. The company generated cash accruals of Rs. 1.86 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 0.09 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 2.23 crore to Rs. 3.09 crore during 2020-22 against repayment obligations of around 0.09 crore. The company's working capital operations are comfortable marked by gross current asset (GCA) days of 312 days for FY2019 (Provisional). The company maintains cash and bank balances of Rs. 2.38 crore as on 31 March 2019 (Provisional). The current ratio stood at 1.11 times as on 31 March 2019 (Provisional). Further the company has utilized their bank facilities up to an extent of 100 percent in the last 6 months. Acuité believes that the liquidity of the company is likely to remain average over the medium term on account of average cash accrual against debt repayments over the medium term.

Outlook: Stable

Acuité believes that TACPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than- expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	88.87	75.21	61.69
EBITDA	Rs. Cr.	4.29	3.94	4.74
PAT	Rs. Cr.	0.06	0.30	0.89
EBITDA Margin	(per cent)	4.83	5.24	7.68
PAT Margin	(per cent)	0.07	0.40	1.44
ROCE	(per cent)	6.20	6.38	19.33
Total Debt/Tangible Net Worth	Times	0.53	0.55	0.59
PBDIT/Interest	Times	1.69	1.91	1.88
Total Debt/PBDIT	Times	3.45	3.45	2.64
Gross Current Assets (Days)	Days	312	303	289

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
May 22, 2018	Open Cash Credit	Long-Term	6.00	ACUITE B+/ Stable (Assigned)
	Inland letter of Credit	Short-Term	4.00	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Open Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+/ Stable (Reaffirmed)
Inland letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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