

Press Release

Disha Auto Components Private Limited

July 11, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 9.00 crore bank facilities of DISHA AUTO COMPONENTS PRIVATE LIMITED. The outlook is '**Stable**'.

Disha Auto Components Private Limited (DACPL) is Aurangabad; Maharashtra based company incorporated in 2004. The company is promoted by Mr. Santosh Ladda. DACPL is engaged in the manufacturing of couplings for tubes and casing pipes used in oil and gas wells. The company is into export of the 100 percent of the production to countries such as United States of America and Canada.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

DACPL has long track record of 14 years and the promoter Mr. Santosh Ladda has extensive experience in the aforementioned industry. The company's long standing track record has helped the company in establishing healthy relationships with customers and suppliers. The company exports 100 percent of its production to countries such as United States of America and Canada.

- Moderate financial risk profile**

DACPL has moderate financial risk profile marked by tangible net worth of Rs. 8.95 crore as on 31st March 2018 (Provisional) as against Rs. 8.39 crore as on 31st March 2017. The adjusted gearing stood healthy at 0.55 times as on 31st March 2018 (Provisional) as against 0.46 times as on 31st March 2017. The debt of Rs. 4.91 crore mainly consists of short term debt of Rs. 4.08 crore as on 31 March 2018 (Provisional). Interest Coverage Ratio (ICR) stood healthy at 3.19 times for FY 2018 (Provisional) as against 7.07 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.86 times for FY 2018 (Provisional) as against 3.57 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.81 times as on 31st March 2018 (Provisional) as against 0.75 times as on 31st March 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.24 times as on 31st March 2018 (Provisional) as against 0.51 times as on 31st March 2017. Going forward ACUITE expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

- Moderate profitability and revenue growth**

DACPL has registered a healthy revenue growth with compounded annual growth rate (CAGR) of ~107 per cent during the last three years ended 31 March 2018. The company reported revenue of Rs. 37.33 crore in FY2018 (Provisional) as against Rs. 26.90 crore in FY 2017 and Rs. 9.27 crore in FY2016. DACPL has healthy operating margins of 4.67 percent in FY 2018 (Provisional) as against 7.76 percent in FY 2017.

Weaknesses

- Susceptible to Raw Material Price Fluctuations**

The company's operating margins are highly susceptible to volatility in steel prices.

- Competitive and fragmented industry**

DACPL operates in a highly competitive and fragmented industry characterized by large number of

organised and unorganised players affecting margins.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the DACPL to arriving at the rating.

Outlook: Stable

Acuité believes DACPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	37.33	26.90	9.27
EBITDA	Rs. Cr.	1.74	2.09	-0.51
PAT	Rs. Cr.	0.25	0.98	-1.86
EBITDA Margin	(%)	4.67	7.76	-5.53
PAT Margin	(%)	0.67	3.64	-20.02
ROCE	(%)	6.19	10.80	-15.59
Total Debt/Tangible Net Worth	Times	0.55	0.46	0.24
PBDIT/Interest	Times	3.19	7.07	-1.55
Total Debt/PBDIT	Times	2.82	1.81	-3.73
Gross Current Assets (Days)	Days	119	140	218

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

Crisil Limited, vide its press release dated March 26, 2018 had denoted the rating of Disha Auto Components Private Limited as 'CRISIL BB-/Stable; ISSUER NOT COOPERATING; Rating Migrated' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CRISIL BB-/Stable' vide its press release dated November 23, 2016.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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	1.00	ACUITE BB / Stable
Term loans	Not	Not	Not	1.00	ACUITE BB / Stable

	Applicable	Applicable	Applicable		
Term loans	Not Applicable	Not Applicable	Not Applicable	1.12	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.88	ACUITE BB / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+

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About Acuité Ratings & Research:

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