

Press Release

Impression Auto Components Private Limited

August 20, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) on the Rs. 15.00 crore bank facilities of Impression Auto Components Private Limited. The outlook is '**Stable**'.

Impression Auto Components Private Limited (IACPL) was established as a partnership firm in 1996 and later reconstituted as private limited in the year 2011 by Mr. Rahul Sapre and Mr. Ramesh Sapre. The company is engaged in manufacturing CNC machined parts and aluminium die casted components which find application in automobile and electrical industry. IACPL has manufacturing facility located Chakan, Pune with an installed capacity of 100 tonnes per month and is being utilized at around 80 per cent.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

Impression Auto Components Private Limited (IACPL) was established as a partnership firm in 1996 and later reconstituted as private limited in the year 2011 by Mr. Rahul Sapre and Mr. Ramesh Sapre thereby establishing track record for more than two decades. The company has established healthy relationship with reputed customers such as Mahle Behr India Private Limited, Mahindra and Mahindra, Tata Motors, Gabriel India Limited and Flash Technologies to name a few. The company has unexecuted order book position of Rs. 47.00 crore as on June 2018. Acuite believes that IACPL will be benefited over the medium term on account of established track record of operations and experienced management.

- Improvement in operating income with healthy operating profitability**

IACPL has registered improvement in operating income during the period FY2015 to FY2018 under the study. The operating income stood at Rs. 38.30 crore in FY2018 (Provisional) as against Rs. 24.16 crore in FY2017 and Rs. 22.76 crore in FY2016. The reason for improvement in operating income is because of the capital expenditure done in FY2017 and FY2018 wherein the company is now focusing more on aluminium die casted components. The operating profitability stood healthy at 12.57 per cent in FY2018 (Provisional) as against 10.42 per cent in FY2017 due to increase in aluminium die casting components in the total revenue mix which comprises 80 per cent of the total revenue mix. The net profitability margins also stood healthy at 5.79 per cent in FY2018 (Provisional) as against 2.82 per cent in FY2017. Acuite believes that IACPL will maintain its revenue streams and the profitability over the medium term on account of expansion in the manufacturing capacity.

- Moderate financial risk profile:**

The financial risk profile of IACPL is moderate marked by tangible net worth of Rs.4.50 crore as on 31 March, 2018 (Provisional) as against Rs. 2.26 crore as on 31 March 2017. The total debt of Rs.5.82 crore outstanding as on 31 March, 2018 (Provisional) comprises secured term loan from bank of Rs. 4.06 crore, Rs. 0.34 crore as unsecured loans from the promoters and Rs. 1.42 crore as short term borrowing from the bank. The gearing is moderate at 1.29 times as on 31 March, 2018 (Provisional) as against 3.58 times as on 31 March, 2017. Interest Coverage Ratio stood at 4.88 times in FY2018 (Provisional) as against 4.36 times in FY2017. DSCR stood at 3.89 times in FY2018 (Provisional) as against 3.92 times in FY2017. The net cash accruals stood at Rs.2.85 crore in FY2018 (Provisional) as against Rs.1.66 crore in FY2017. The NCA/TD ratio stood at 0.49 times in FY2018 (Provisional) as against 0.021 times in FY2017.

Acuité believes that IACPL will sustain its financial risk profile backed by healthy accruals over the near

to medium term.

Weaknesses

• Debt funded capital expenditure plan:

IACPL has undertaken an expansion plan wherein it will be expanding its manufacturing capacity to 200 tonnes per month (Previous capacity 100 tonnes per month). The total project cost is estimated at Rs. 10.00 crore to be funded partly through term loan of Rs. 7.50 crore and Rs. 2.50 crores through promoters' contribution and was started in May 2018. The new loan is expected to be repaid with DSCR of 2.00 times. As on June 2018 the cost incurred in Rs. 3.00 crores. The commercial production from this new capacity is expected to be October 2018. The company is targeting turnover of Rs. 48.00 crores for FY2019. The ability of the company to generate adequate cash accruals in order to repay its debt obligation will be key rating sensitivity.

• Customer concentration risk

Out of the total operating income around 60 per cent is being generated from Mahle Behr India Private Limited thereby establishing customer concentration risk. Any adverse changes in the business profile or lower than expected orders from Mahle Behr India Private Limited may impact the revenue streams of IACPL.

• Susceptibility of profitability to volatility in raw material prices

The profitability of IACPL is susceptible to volatility in raw material prices (aluminium) whose prices are highly volatile in nature

Analytical Approach

Acuite has considered standalone business and financial risk profile of IACPL to arrive at the rating.

Outlook: Stable

Acuite believes the outlook on company will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers significant increment in its revenue and profitability while improving its liquidity position. The outlook may be revised to 'Negative' in case of deterioration in its financial risk profile and stretched working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	38.30	24.16	22.76
EBITDA	Rs. Cr.	4.81	2.52	2.59
PAT	Rs. Cr.	2.22	0.68	0.95
EBITDA Margin	(%)	12.57	10.42	11.38
PAT Margin	(%)	5.79	2.82	4.18
ROCE	(%)	39.91	19.68	34.98
Total Debt/Tangible Net Worth	Times	1.29	3.58	0.78
PBDIT/Interest	Times	4.88	4.36	4.69
Total Debt/PBDIT	Times	1.21	3.26	0.90
Gross Current Assets (Days)	Days	89	198	115

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

None

Any other information

None

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 (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
Term loan I	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB- / Stable (Assigned)
Term loans II	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB- / Stable (Assigned)
Term loans III	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB- / Stable (Assigned)
Term loan IV	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB- / Stable (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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