

Press Release

Fine Components And Tools Private Limited

D-U-N-S® Number: 91-804-3332



December 26, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 19.80 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable
Short Term Rating	ACUITE A2+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE A-**' (**read as ACUITE A minus**) and short term rating of '**ACUITE A2+**' (**read as ACUITE A two plus**) to the Rs. 19.80 crore bank facilities of Fine Components And Tools Private Limited (FCT). The outlook is '**Stable**'.

FCT is a Bangalore based company established in 1994 as proprietorship concern under the name of 'M/s Fine Tools and Auto Accessories'; and subsequently converted to a private limited company in 1998 under the current name. FCT is a closely held company promoted by Mr. C Krishnamoorthy (Chairman), who has more than four decades of experience in the auto ancillary industry. The company is presently managed by his son, Mr. K Gopinath (Managing Director), who has nearly two decades of experience in the industry.

FCT is engaged in the manufacturing of various sheet metal- pressed components and welded sub-assemblies such as sheet-metal stampings, welded assemblies, and modules for automobile industry (four-wheeler segment). The major products are Seat Belt Frames, Seat Rail & Side Frame, Buckle Straps, Seat Folding Hinges, Air Bag Containers, Air Bag Retainer Rings, Arm Rest, Rear Axle Housing among others. FCT has four manufacturing facilities located at Bommasandra Industrial Area in Bangalore (Karnataka).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Fine Components and Tools Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

• **Track record of promoters along with long standing relationship with key OEMs**

FCT promoted by Mr. Krishnamoorthy (Chairman) is currently managed by his son, Mr. K Gopinath (Managing Director) who has nearly two decades of experience in auto ancillary industry. The promoters are supported by a team of experienced management personnel. FCT has strong in-house engineering and tool design capabilities to manufacture sheet metal pressed components with consistent quality and reliability; resulting in repeat orders, and it manufactures over 700 varieties of components.

FCT is a prominent supplier of sheet metal pressed parts to leading automobile OEMs including Toyota Boshoku Automotive India Private Limited, Autoliv Safety System India Private Limited (Sweden) which contributes to over 50 percent of its revenues leading to revenue concentration. Further, Tokai Rubber Auto Parts India Private Limited, Toyota Kirloskar Motor Private Limited, Toyotetsu India Auto Parts Private Limited, Rane TRW Steering Systems Private Limited, IFB Automotive Private Limited are the other major customers of the company. Consistent growth in the revenues of OEM's and client addition supported the revenue growth of FCT, at a compound annual growth rate (CAGR) of about 10 percent over the past three years through FY2018 at Rs.147.30 crore. Acuité believes that with vast product portfolio, diversified clientele, experienced management and operational track record, FCT continues to enjoy the benefit of scale of operations over the medium term.

- **Healthy financial risk profile**

FCT's financial risk profile is healthy marked by healthy capital structure (debt-to-equity / gearing), total outside liabilities to total net worth (TOL/TNW) and debt protection metrics. FCT's net worth is moderate at Rs.53.69 crore as on March 31, 2018 as compared to Rs.46.94 crore as on March 31, 2017. The net worth has improved due to healthy accretion to reserves. Its operating margins are moderate and improving year-over-year to about 10.97 percent in FY2018. The capital structure is healthy marked by low gearing of 0.20 times as on March 31, 2018 against 0.20 times as on March 31, 2017 and TOL/TNW of 0.69 times in FY2018 against 0.73 times in FY2017.

Moderate profitability margins coupled with healthy gearing levels have resulted in healthy debt protection metrics with interest coverage ratio (ICR) of 16.21 times and net cash accruals to total debt of 1.15 times for FY2018. FCT has reported cash accruals of Rs.12.1 crore in FY2018; its expected to generate cash accruals in the range of Rs.13.00-16.00 crore over the medium term, against which its repayment obligations are about Rs.1.11 crore and regular annual capex of about Rs.5.0 crore. Acuité believes that with moderate accruals, healthy gearing and modest capex, the financial risk profile continues to be healthy over the medium term.

- **Efficient working capital management**

FCT's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) of 75 -95 days historically due to prudent inventory management, and efficient collection of trade receivables supported by reputed clientele. The inventory days of less than a week is majorly driven by suppliers in and around the factory, and it extends credit of about two months to its clientele. This results in low reliance on bank lines at about 20 percent over six months through October 2018. Acuité believes that FCT's operation continues to be efficiently managed supported by moderate net worth, efficient collection mechanism and in time inventory levels.

Weaknesses

- **Moderate scale of operations with revenue concentration and competitive Industry**

The auto component industry is highly competitive due to competition from organised and unorganised players. The growth of auto component manufacturer would continue to be driven by volume growth of its key OEMs. Auto ancillaries with exposure to OEMs witnessing increased competition have limited scope for volume growth; further, it exerts pressure on the profitability also. FCT has been in operations for over two decades; its scale of operations remain moderate with operating income of Rs.147.31 crore in FY18 in the auto ancillary industry.

Further, nearly 60 per cent of the revenues are from three key customers resulting in revenue concentration; any slowdowns in the volumes of OEM's have a direct bearing on the revenue profile of FCT. The auto industry is inherently vulnerable to the economic cycles and is sensitive to the interest rate environment, level of fuel prices and regulatory issues such as changes in tax structure, insurance cover, among others. These changes dampen the demand for vehicles. Improvement of macroeconomic factors such as revival of industrial production, lowering of interest rates, rise in disposable income will help in OEM prospects. FCT's revenue is exposed and tied to cyclical demand prospects of the automobile industry mainly four wheeler OEMs.

Outlook: Stable

Acuité believes that FCT will maintain a 'Stable' outlook over the medium term backed by its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management, or any significant debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	147.31	134.94	121.01
EBITDA	Rs. Cr.	16.16	13.55	13.73
PAT	Rs. Cr.	6.66	5.86	6.23
EBITDA Margin	(%)	10.97	10.04	11.35
PAT Margin	(%)	4.52	4.34	5.15
ROCE	(%)	19.05	18.68	44.79
Total Debt/Tangible Net Worth	Times	0.20	0.20	0.12
PBDIT/Interest	Times	16.21	22.25	16.15
Total Debt/PBDIT	Times	0.62	0.66	0.35
Gross Current Assets (Days)	Days	89	94	74

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>
- 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
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.25	ACUITE A- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE A2+
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.35	ACUITE A- / Stable

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About Acuité Ratings & Research:

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