

Press Release

Fine Components and Tools Private Limited

March 25, 2020

Rating Reaffirmed



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

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.19.80 crore of Fine Components and Tools Private Limited (FCTPL). The outlook is '**Stable**'.

Bangalore based, FCTPL was initially established as proprietorship firm in 1994 by Mr. Chinnatambi Krishnamoorthy. Later in 1997, the constitution changed to private limited. FCTPL is engaged in the manufacturing of automobile mould and components such as sheet metal-pressed, sheet-metal stamping and welded assemblies. The components are Seat Belt Frames, Seat Rail & Side Frame, Buckle Straps, Seat Folding Hinges, Air Bag Containers, Air Bag Retainer Rings, Arm Rest, and Axle Housing among others. FCTPL has three manufacturing units with installed capacity of processing steel of 2000 metric tons per month.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and improving business risk profile

FCTPL is operating since 2004 and is promoted by Mr. Chinnatambi Krishnamoorthy, Mrs. Bhanumathi Krishnamoorthy. The promoters have more than two decades of experience in automobile industry and are well supported by a second line of management comprising Mr. Gopinath Krishnamoorthy and Mrs. Krishnamoorthy Kavitha. The promoter's extensive experience has helped the company to establish healthy relationship with the reputed customers and suppliers. FCTPL sells to Toyota Boshoku Automotive India Private Limited, Autoliv Safety System India Private Limited, Tokai Rubber Auto Parts India Private Limited and Adient India Private Limited among others.

FCTPL's operating income witnessed a compound annual growth rate (CAGR) of 13 per cent over the past three years through FY2019 at Rs.173.56 crore. Further, the profitability margins have also improved marked by PAT margins of 5.60 percent in FY2019 as against 4.52 percent in FY2018.

Acuite believes that FCTPL will continue to benefit from promoter's extensive experience in the automobile industry and its improving business risk profile over the medium term.

• Healthy financial risk profile

FCTPL's financial risk profile is healthy, marked by healthy net worth, low gearing and healthy debt protection metrics. The net worth of FCTPL is healthy at around Rs.63.43 crores as on March 31, 2019 as against Rs.53.69 crore as on March 31, 2018. The net worth levels have seen significant improvement over the last three years through FY2019 on account of healthy accretion to reserves.

The company has followed a conservative financial policy, the same is reflected through its peak gearing in the past around 0.20 times as on March 31, 2018 as well as March 31, 2017 and improved marginally to 0.11 times as on 31 March, 2019. The total debt of Rs.7.18 crore comprises of terms loans of Rs.3.67 crore and working capital borrowings of Rs.3.50 crore. The total outside liabilities to tangible net worth (TOL/TNW) level stood at 0.49 times as on March 31, 2019 as against

0.69 times as on March 31, 2018.

The debt protection metrics are healthy marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 22.93 times and 7.98 for FY2019 as against 16.21 times and 6.10 times for FY2018, respectively. This improvement is on the account of steady growth in operations coupled with stable interest expenses of FCTPL. NCA/TD stood healthy at 2.07 times in FY2019 against 1.15 times in FY2018.

Acuite believes that the financial risk profile is expected to be at similar levels over the medium term.

• **Efficient working capital management**

The operation of FCTPL are managed efficiently marked by GCA days of 84 for FY2019 as against 89 for FY2018. GCA days are mainly dominated by debtor days stood at 61 days for FY2019 as against 57 days in FY2018. FCTPL has credit terms in the range of 60-95 with its customers. FCTPL has peak inventory days of 8 days in FY2019 as against 3 days in FY2018. Further, creditor days has showed its peak at 66 days in FY2018 and reduced to 47 days in FY2019, which moderates the reliance on working capital requirements.

Acuite believes that the efficient working capital management will be crucial to the FCTPL in order to maintain a stable credit profile.

Weaknesses

• **Competitive industry and susceptibility of the operating performance**

FCTPL manufactures automobile mould and components for Passenger Vehicle. The automobile industry continues to face pricing pressures and cyclical demand in the original equipment manufacturer (OEM) market. As an auto component supplier for OEMs, FCTPL has a limited bargaining power with its customers. Further, the company faces customer concentration risk, as more than 70 per cent of the revenue is deriving from three major customers such as, Toyota Boshoku Automotive India Private Limited, Autoliv Safety System India Private Limited, Tokai Rubber Auto Parts India Private Limited. Acuite believes that FCTPL will continue to remain exposed to the volatility in demand for the products and dependency on OEMs.

Liquidity position: Strong

FCTPL has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.10.55-14.89 crore during the last two years through FY2019, while its maturing debt obligations stood around Rs.1.11 crore over the same period. The cash accruals of the group are estimated to remain around Rs.11.05-12.17 crore during 2020-22, while its repayment obligation are estimated to be around Rs.1.00 crore. The working capital operations of the company are efficiently managed marked by gross current asset (GCA) days of 84 in FY2019. The cash credit limit remains utilised at 47 percent during the last six months ended December 2019. The company maintains unencumbered cash and bank balances of Rs.0.93 crore as on March 31, 2019. The current ratio stands at 1.78 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accrual against repayments over the medium term.

Rating Sensitivity

- Substantial improvement in scale of operation while maintaining profitability margins over the medium term.
- Elongation in working capital cycle.

Material covenants

None

Outlook: Stable

Acuite believes that FCTPL will maintain a 'Stable' outlook over the medium term from its promoter's industry experience and improving business risk profile. The outlook may be revised to 'Positive' in case of significant growth in its revenues and higher than expected cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	173.56	147.31
PAT	Rs. Cr.	9.71	6.66
PAT Margin	(%)	5.60	4.52
Total Debt/Tangible Net Worth	Times	0.11	0.22
PBDIT/Interest	Times	22.93	16.21

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Feb-2019	Working Capital Term Loan	Long Term	6.00	ACUITE A- / Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE A- / Stable (Assigned)
	Term Loan	Long Term	5.25	ACUITE A- / Stable (Assigned)
	Bank Guarantee	Short Term	1.20	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Long Term	1.35	ACUITE A- / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.25	ACUITE A-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE A2+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.35	ACUITE A-/Stable (Reaffirmed)

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