

Press Release

Fine Components and Tools Private Limited

September 16, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.20	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	18.60	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	58.20	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	78.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 19.8 Cr bank facilities of FINE COMPONENTS AND TOOLS PRIVATE LIMITED(FCT). The rating of '**ACUITE A-' (read as ACUITE A'minus)**' has been assigned on additional Rs.58.20 Cr of bank facilities of FCT. The outlook is '**Stable**'.

The reaffirmation of the ratings assigned to FCT takes into account, the extensive experience of the management in auto-ancillary business, its established track record, reputed clientele base, healthy financial risk profile and adequate liquidity of the company. The aforementioned strengths were tempered by the competitive nature of auto ancillary industry and the susceptibility to the cyclical in automotive industry.

About the Company

Fine Components and Tools Private Limited was established in 1994 based out of Bangalore as proprietorship concern and subsequently constitution changed to private limited company in 1997. The company is promoted by Mr. C Krishna moorthy. FCT is engaged in manufacturing of sheet metal stamping parts and assemblies. These include parts of Seat Belt Frames, Seat Rail & Side Frame, Buckle Straps, Seat Folding Hinges, Air Bag Containers, Air Bag Retainer Rings, Arm Rest, and Axle Housing etc. FCTPL has four manufacturing units and has installed capacity to process 2,500 metric tons of steel quantity per month and processing 1,300 -1,400 MT of steel every month. Major customers include companies like Toyota Boshoku Automotive India Private Limited, Autoliv Safety System India Private Limited, Tokai Rubber Auto Parts India Private Limited, Toyota Kirloskar Motors Private Limited, Toyotetsu India Auto Parts Private Limited, Rane TRW Steering Systems Private Limited and Denso Kirloskar India Private Limited etc.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

FCT was established in 1994 based out of Bangalore as proprietorship concern and subsequently constitution changed to private limited company in 1997. The company is promoted by Mr. C Krishnamoorthy. The promoters have more than two decades of experience in automobile ancillary business 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. FCT's major customers include companies like Toyota Boshoku Automotive India Private Limited, Autoliv Safety System India Private Limited, Tokai Rubber Auto Parts India Private Limited and Denso Kirloskar India Private Limited etc. Acuité believes, having a stable clientele will provide strong revenue visibility in short to medium term.

- **Stable revenue and operating margins**

The scale of operations of the company has been improving last three years ending FY2022. The revenues stood at Rs.281.2 Cr in FY2022(Prov.) as compared to Rs.157.9 Cr in FY2021. Further, the operating margin was in the range of 7.47 percent to 12.42 percent over the past 3 years ended FY2022 (Prov). Capex of Rs. 91 Cr incurred in FY2022 to expand the business with total capacity of 2500 metric tons of steel quantity per month (setting up a new plant in Bangalore). The amount is funded through bank term loan of Rs. 36 Cr which has been sanctioned by Citi bank, some part of fund is from deposits and balance is from advance from customers. The new plant has started operations from August 2022. This will help the company further in scaling up the revenue by additional of Rs. 40 to 50Cr in near to medium term. Acuité believes, the revenue and operating margins to be fairly stable in the short term, improving marginally over medium term in line with the performance of the automotive industry.

- **Healthy financial risk profile**

FCT'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. 86.70 Cr as on March 31, 2022 (Prov.) as against Rs.81.19 Cr as on March 31, 2021. The gearing of the company stood at 0.70 times as on March 31, 2022 as against 0.13 times as on March 31, 2021. The deterioration of gearing is because increase in the debt levels in FY2022. TOL/TNW stood at 1.50 times and 0.54 times as on March 31, 2022 and 2021, respectively. The debt protection metrics was healthy as observed from Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) which stood at 8.76 times and 7.22 times as on March 31, 2022(Prov.) as against 75.75 times and 9.87 times as on March 31, 2021, respectively. The deterioration of debt protection metrics is because of increase in interest cost and increase in repayment obligations. Acuité believe, that the financial risk profile is expected to be at similar levels over the medium term considering no debt funded expansion planned in near future.

- **Efficient working capital management**

The operation of FCTPL are managed efficiently marked by gross current asset (GCA) days at 100 days as on March 31, 2022(Prov.) as against 125 days as on March 31, 2021. Inventory days stood at 16 days as on March 31, 2022 (Prov.) as against 14 days as on March 31, 2021. Subsequently, the payable period stood at 65 days as on March 31, 2022(Prov.) as against 77 days as on March 31, 2021 respectively. The debtor days stood

at 65 days as on March 31, 2022(Prov.) as against 64 days as on March 31, 2021. Further, the average bank limit utilization in the last seven months ended July, 22 remained at and 23.4 percent for fund based limits. Acuité believes that the efficient working capital management will be crucial to the FCTPL in order to maintain a stable credit profile

Weaknesses

- **Competitive nature of auto ancillary business and its susceptibility to cyclicality to automotive industry**

FCT is present in highly competitive auto ancillary business which has large number of small and large players who have a varied appetite for technology. Majority of the high margin and technology intensive works are picked up by larger players who can set aside funds for research and development. The less technologically intensive and production activities are passed on to smaller players in the market. Automobile industry is highly cyclical with demand moving with larger economic cycle, customer preferences, government policies etc. FCT has a limited bargaining power with its customers and faces customer concentration risk, as more than 77 per cent of the revenue is deriving from four top customers. We believe that FCT will continue to remain exposed to the volatility in demand for the products and dependency on OEMs.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

FCT has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The net cash accruals stood at Rs.15.83 Cr in FY2022(Prov.) as against the repayment of Rs.7.92 Cr for the same period and expected to generate cash accruals in the range of Rs.16-19 Cr. against repayment obligations of Rs.7 to 7.92 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 9.47 Cr as on March 31, 2022(Prov.). The current ratio of the company stood at 0.9 times as on March 31, 2022(Prov.). Further, the average bank limit utilization in the last seven months ended July, 2022 remained at 23.4 percent for fund based limits. Acuité believes that FCT's liquidity is likely to remain strong over the medium term on account of healthy cash accrual against repayments over the medium term.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	281.20	157.90
PAT	Rs. Cr.	5.54	7.61
PAT Margin	(%)	1.97	4.82
Total Debt/Tangible Net Worth	Times	0.70	0.13

PBDIT/Interest	Times	8.76	75.75
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Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Jun 2021	Proposed Bank Facility	Long Term	6.60	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.20	ACUITE A2+ (Reaffirmed)
	Working Capital Term Loan	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
25 Mar 2020	Term Loan	Long Term	5.25	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.35	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.20	ACUITE A2+ (Reaffirmed)
26 Dec 2018	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE A2+ Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	8.5	Not Applicable	6.00	ACUITE A- Stable Reaffirmed
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.60	ACUITE A- Stable Reaffirmed
CITI Bank	Not Applicable	Term Loan	Not available	Not available	Not available	23.20	ACUITE A- Stable Assigned
CITI Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	6.00	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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