



Press Release
FINE COMPONENTS AND TOOLS PRIVATE LIMITED
December 15, 2023
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	78.00	ACUITE A Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	78.00	-	-

Rating Rationale

Acuite has upgraded its long term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A-**' (read as **ACUITE A-minus**) on the Rs 78.00 Cr bank facilities of FINE COMPONENTS AND TOOLS PRIVATE LIMITED (FCTPL). The outlook is '**Stable**'.

Rationale for upgrade:

The rating upgradation considers FCTPL's improvement in operational performance during FY2023 and same being sustained during the first 6 months of FY2024. The company has reported revenue of Rs.410.13Cr in FY2023 registering a growth rate of ~45.77 Percent against the previous year. During the current year the company has already achieved revenue of Rs.255.75Cr till September 2023. The operating margins ranged between 7.52- 14.12 percent for the last two years ended FY2023. The financial risk profile of FCTPL continues to be healthy with comfortable debt protection metrics and low gearing. The overall gearing of the Company stood at 0.24 times as on March 31, 2023 as against 0.70 times as on March 31, 2022. The interest coverage ratio stood at 10.76 times in FY2023 as against 9.22 times in FY2022. Further, the rating continues to derive strength from the company's long-term presence in the market for more than two and half decades, its established relations with the customers which fetches repeated orders. FCT's major customers include companies like Toyota Boshoku Automotive India Private Limited, Autoliv Safety System India Private Limited, Maruti Suzuki India Limited, Tokai Rubber Auto Parts India Private Limited and Denso Kirloskar India Private Limited etc.

The aforementioned strengths were tempered by the competitive nature of auto ancillary industry and the susceptibility to the cyclicity 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. FCTPL 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 five manufacturing units and has installed capacity to process 3,500 metric tons of steel quantity per month and processing 2,400 -2,500 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, Maruti Suzuki India Limited, Rane TRW Steering Systems Private Limited and Denso Kirloskar India Private Limited etc.

Unsupported Rating
Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

FCTPL 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, Maruti Suzuki India Limited and Denso Kirloskar India Private Limited etc. Acuité believes, having a stable clientele will provide strong revenue visibility in short to medium term.

- **Improving scale of operations**

The scale of operations of the company has been improving last two years ending FY2023. The revenues shown significant growth with YOY of 45.77 percent which stood at Rs.410.23 Cr in FY2023 as compared to Rs.281.35 Cr in FY2022. Improvement in the revenue is on account increased demand in automotive industry, utilization of additional capacity and addition of new plant which started operations in FY2023. Further, the operating margin was in the range of 7.52 percent to 14.12 percent over the past two years ended FY2023. 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 moderate net worth, low gearing, and healthy debt protection metrics. The net worth of FCTPL is healthy at around Rs. 117.23 Cr as on March 31, 2023 as against Rs.87.83 Cr as on March 31, 2022. The gearing of the company stood at 0.24 times as on March 31, 2023 as against 0.70 times as on March 31, 2022. TOL/TNW stood at 0.79 times and 1.49 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 10.76 times and 3.77 times as on March 31, 2023 as against 9.22 times and 7.59 times as on March 31, 2022 respectively. 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 working capital management of the company remained moderate with moderate GCA days at 63 days as on March 31, 2023 as against 110 days as on March 31, 2021. Inventory days stood at 6 days as on March 31, 2023 as against 16 days as on March 31, 2022. The debtor day stood at 47 days as on March 31, 2023 as against 64 days as on March 31, 2022. Further, the average bank limit utilization in the last nine months ended September 23 remained at 12.50 percent for fund based limits. Subsequently, the payable period stood at 56 days as on March 31, 2023 as against 65 days as on March 31, 2022 respectively. 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 cyclicity to automotive industry**

FCTPL 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. FCTPL has a limited bargaining power with its customers and faces customer concentration risk, as more than 62 per cent of the revenue is deriving from four top customers. We believe that FCTPL 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
- Deterioration in capital structure and other credit metrics due to any large, debt-funded capex/acquisition

All Covenants

None

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.44.83 Cr in FY2023 as against the repayment of Rs.7.92 Cr for the same period and expected to generate cash accruals in the range of Rs.51-59 Cr. against CPLTD of Rs.7.90 to 7.92 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.37 Cr as on March 31, 2023. The current ratio of the company stood at 1.06 times as on March 31, 2023. Acuité believes that FCTPL'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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	410.13	281.35
PAT	Rs. Cr.	29.36	5.66
PAT Margin	(%)	7.16	2.01
Total Debt/Tangible Net Worth	Times	0.24	0.70
PBDIT/Interest	Times	10.76	9.22

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Sep 2022	Cash Credit	Long Term	35.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	1.20	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	23.20	ACUITE A- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	6.60	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
21 Jun 2021	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)
	Proposed Bank Facility	Long Term	6.60	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A Stable Upgraded
ICICI Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	14.30	ACUITE A Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	7.86	ACUITE A Stable Upgraded
CITI Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.84	ACUITE A Stable Upgraded

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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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