



Press Release
Fine Components And Tools Private Limited
December 31, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	78.00	ACUITE A Stable Reaffirmed	-
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Total Withdrawn Quantum (Rs.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**) on the Rs 78.00 Cr. bank facilities of Fine Components and Tools Private Limited (FCTPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation:

The rating reaffirmation considers FCTPL’s improvement in operational performance during FY2024 and the same being sustained during the first 6 months of FY2025. The operating margins ranged between 14.12-14.63 percent for the last two years ending in FY2024. The financial risk profile of FCTPL continues to be healthy with comfortable debt protection metrics and low gearing. Further, the rating continues to derive strength from the company’s long-term presence in the market for more than two and a half decades and its established relations with the customers, which fetch repeated orders. FCTPL’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, Denso Kirloskar India Private Limited, etc.

However, the rating is constrained 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 a proprietorship concern, and subsequently the constitution changed to a private limited company in 1997. The company is promoted by Mr. C. Krishna Moorthy. FCTPL is engaged in the manufacturing of sheet metal stamping parts and assemblies. These include parts of seat belt frames, seat rails & side frames, buckle straps, seat folding hinges, airbag containers, airbag retainer rings, armrests, axle housings, etc. FCTPL has five manufacturing units and has installed capacity to process 3,500 metric tons of steel quantity per month and process 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

Acuite 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 a proprietorship concern, and subsequently the constitution changed to a private limited company in 1997. The company is promoted by Mr. C. Krishnamoorthy. The promoters have more than two decades of experience in the 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

a healthy relationship with the reputed customers and suppliers. FCTPL'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 the short to medium term.

• **Significant improvement in scale of operations**

The company has reported significant improvement with YOY growth of 29.77 percent in FY2024 as compared to FY2023. Revenues stood at Rs.532.23 Cr. in FY2024 as against Rs.410.13 Cr. in FY2023. The reason for improvement in the revenue is on account of increased demand in the automotive industry and utilization of additional capacity. In the current fiscal year, the company has achieved revenues worth Rs.282.79 Cr. till Sep 2024 and is projecting revenues of around Rs.570-575 Cr. for FY2025. Margins are expected to be at similar levels to FY2024. Further, the operating margin was in the range of 14.63 percent to 14.12 percent over the past two years ending in FY2024. Acuité believes the revenue and operating margins to be fairly stable in the short term, improving marginally over the medium term in line with the performance of the automotive industry.

• **Healthy financial risk profile**

The company's financial risk profile is healthy, marked by a healthy capital structure, minuscule gearing, and healthy debt protection metrics. The net worth of the company stood at Rs. 167.01 Cr. and Rs. 117.23 Cr. as on March 31, 2024, and 2023, respectively. The improvement in net worth is due to the accretion of reserves. Gearing of the company stood at 0.11 times as on March 31, 2024, against 0.24 times as on March 31, 2023. The improvement in gearing is on account of minimal utilization in short-term debt levels. Debt protection metrics—interest coverage ratio and debt service coverage ratio—stood healthy at 13.95 times and 5.06 times as on March 31, 2024, respectively, as against 10.76 times and 3.77 times as on March 31, 2023, respectively. TOL/TNW (total outside liabilities/total net worth) stood at 0.57 times and 0.79 times as on March 31, 2024, and 2023, respectively. The debt to EBITDA of the company stood high at 0.20 times as on March 31, 2024, as against 0.48 times as on March 31, 2023. Acuité believes that the financial risk profile is expected to be at similar levels over the medium term, considering no debt-funded expansion is planned in the near future.

• **Efficient working capital operations**

FCTPL's working capital operations remained efficient, marked by efficient gross current asset (GCA) at 62 days in FY2024 as against 63 days in FY2023. The GCA days are efficient on account of efficiently managing the receivable cycle and inventory days. Inventory days stood at 7 days in FY2024 as against 6 days in FY2023. Debtor days stood at 37 days in FY2024 as against 47 days in FY2023. Further, the average bank limit utilization for the fund-based limits stood at 23 percent for the last six months ending in November 2024. Subsequently, the payable period stood at 46 days in FY2024 as against 56 days in FY2023. 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 cyclical to automotive industry**

FCTPL is present in the highly competitive auto ancillary business, which has a large number of small and large players who have a varied appetite for technology. The 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. The automobile industry is highly cyclical, with demand moving with larger economic cycles, customer preferences, government policies, etc. FCTPL has a limited bargaining power with its customers and faces customer concentration risk, as more than 62 percent of the revenue is derived 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

Liquidity Position: Adequate

FCTPL liquidity is adequate, marked by adequate net cash accruals to its maturing debt obligation. The company has generated cash accruals in the range of Rs. 65.91 Cr. in FY2024, while its maturing debt obligations were Rs. 7.90 Cr. during the same period. Going forward, the company is expected to generate net cash accruals of Rs. 55-65 Cr. in FY 2025-26 against Rs. 7.93-6.78 Cr. debt obligations. The current ratio stood at 1.55 times as of March 31, 2024. Further, the average bank limit utilization for the fund-based limits stood at 23 percent for the last six months ending in November, 2024. The company maintains unencumbered cash and bank balances of Rs. 13.62 Cr. as on March 31, 2024. Acuité believes that the liquidity of the company is likely to improve over the medium term.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	532.23	410.13
PAT	Rs. Cr.	49.93	29.36
PAT Margin	(%)	9.38	7.16
Total Debt/Tangible Net Worth	Times	0.11	0.24
PBDIT/Interest	Times	13.95	10.76

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>
- 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
15 Dec 2023	Proposed Long Term Bank Facility	Long Term	7.86	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	20.84	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	35.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Dropline Overdraft	Long Term	14.30	ACUITE A Stable (Upgraded from ACUITE A- Stable)
16 Sep 2022	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	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	35.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	23.20	ACUITE A- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	1.20	ACUITE A2+ (Reaffirmed)
21 Jun 2021	Working Capital Term Loan	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	6.60	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	1.20	ACUITE A2+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
CITI Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE A Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.16	Simple	ACUITE A Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.49	Simple	ACUITE A Stable Reaffirmed
CITI Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2026	13.35	Simple	ACUITE A Stable Reaffirmed

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About Acuité Ratings & Research

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