

Press Release

Top Gear Transmission

D-U-N-S® Number: 87-098-9957

January 15, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.91 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 9.91 crore bank facilities of Top Gear Transmission (TGT). The outlook is '**Stable**'.

Top Gear Transmission is a proprietorship firm engaged in designing and manufacturing of planetary gear boxes and custom-built gear boxes, used in industries such as capital goods, sugar, construction equipment, and steel. It was established in 2002 by Mr. Shrikant Pawar. Manufacturing facility and the registered office is located at Satara MIDC, Maharashtra.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

TGT is promoted by Mr. Shrikant Pawar who also manages the day to day operations of the firm. He has an experience of more than two decades in the same line of business. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 3 years through 2017-18. The firm's revenue grew at a CAGR of ~13.00 percent to Rs.39.55 crore over the aforementioned period. TGT's order book position remains healthy at Rs.26.00 crore as on 30 November, 2018 which is to be executed by March, 2019. Hence, the healthy order book provides modest revenue visibility for the firm over the medium term. Acuite believes that the firm will continue to benefit through the promoter's extensive industry experience over the medium term.

- **Reputed clientele base**

TGT caters to reputed clientele such as Thyssen Krupp India Pvt Ltd, Godrej & Boyce Mfg. Co. Ltd, Finolex Industries Ltd, Steel Authority of India Ltd to name a few. Acuite believes that TGT will continue to enjoy repeat business orders as reflected by its increasing revenues.

- **Moderate profit margin**

The operating margins of TGT stood at 12.00% in FY2018 as compared to 14.03% in FY2017 and 13.08% in FY2016. Fluctuations in margins are mainly on account of fluctuation in raw material prices and increasing job work charges. The net profitability has been moderate at 4.07 per cent in FY2018 and 5.51 per cent in the previous year mainly on account of increase in finance cost.

Weaknesses

• Moderate financial risk profile

TGT's financial risk profile is marked by its low net worth, moderate gearing and moderate debt protection measures. The net worth increased to Rs.5.99 crore as on 31 March, 2018 as against Rs.5.78 crore in the previous year on account of increasing revenue, leading to higher accretion to reserves. The firm's gearing is estimated to be moderate at 2.27 times as on 31 March, 2018 as against 2.18 times in the previous year. The firm has followed a moderately aggressive financial policy in the past, as reflected by its peak gearing of around 2.27 times as on March 31, 2018. The total debt of Rs.13.58 crore consists of long term debt of Rs.5.66 crore, Rs. 4.10 crore of unsecured loans from financial institutions and Rs.3.82 crore of short term debt obligations. The healthy revenue growth coupled with moderate profitability levels has resulted in healthy net cash accruals of Rs.2.56 crore during 2016-18, leading to moderate debt protection measures. The interest coverage ratio stood at 2.07 times in FY18 as against 2.44 times in the previous year. NCA/TD ratio stood 0.19 times in FY18. Acuite believes that the financial risk profile will continue to remain moderate on account of healthy cash accruals and healthy growth in revenues.

• Working capital intensive nature of operation

The working capital management is marked by Gross Current Assets (GCA) of 296 days in FY2018 as against 306 days in FY2017. The firm maintains inventory of around 150 days on an average and extends clean credit of around 90 days to its customers, resulting in high GCA days. The inventory and debtor levels stood at 152 days and 121 days in FY2018 as against 172 days and 97 days in FY2017, respectively. Acuite believes that the working capital requirement will continue to remain high over the medium term on account of its high inventory requirements to cater to spot orders.

Outlook: Stable

Acuite believes that the outlook on TGT's rated facilities will remain stable over the medium term on account of its promoter's extensive experience. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	39.55	30.16	26.97
EBITDA	Rs. Cr.	4.75	4.23	3.53
PAT	Rs. Cr.	1.61	1.67	1.34
EBITDA Margin	(%)	12.00	14.03	13.08
PAT Margin	(%)	4.07	5.51	4.98
ROCE	(%)	21.12	19.57	31.79
Total Debt/Tangible Net Worth	Times	2.27	2.18	2.09
PBDIT/Interest	Times	2.07	2.44	2.64
Total Debt/PBDIT	Times	2.74	2.87	3.20
Gross Current Assets (Days)	Days	296	306	238

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+ / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.66	ACUITE B+ / Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE A4 (Assigned)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Assigned)

Contacts

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About Acuité Ratings & Research:

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