



Press Release
Top Gear Transmission
November 20, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.25	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	2.25	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	15.50	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four Plus**) on the Rs. 15.50 crore bank facilities of Top Gear Transmission (TGT). The outlook is '**Stable**'.

Reason for reaffirmation

The rating takes into consideration the improvement of the revenues of the group in FY23. The revenue of the group improved and stood at Rs.131.37 crore in FY2023 (Prov) as against the revenue of Rs.76.22 crore in FY2022 on the back of increase in demand for the gear boxes. However, the operating margins have declined and stood at 8.89 percent in FY2023(Prov) as against 9.77 percent in FY2022. The ratings are constrained by the working capital-intensive operations and stretched liquidity position of the group.

About Company

Top Gear Transmission based of Satara, Maharashtra 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. Its manufacturing facility and registered office is located at Satara MIDC in Maharashtra.

About the Group

TG group is engaged in designing and manufacturing of planetary gear boxes and custombuilt gear boxes, which finds application in industries such as capital goods, sugar, construction equipment, and steel. TGPL undertakes job work for TGT. The group is promoted by Mr. Shashikant Pawar, Mr. Shrikant Pawar and other directors.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken consolidated business and financial risk profiles of Top Gear Transmission Private Limited (TGPT) and Top Gear Transmission (TGT) together referred to as 'TG Group' to arrive at the rating. The consolidation is mainly on account of similarity in the line of business, strong operational and financial synergies and common management.

Key Rating Drivers

Strengths

Experienced management, and established track record of operations

TG group is promoted by Mr. Shashikant Pawar and Shrikant Pawar, who manages the day to-day operations of the group. The promoter's experience of more than two decades in the mentioned business, is also reflected through the healthy revenue growth over the last 3 years through FY 2020- 22. Further, the group caters to reputed clientele in both public sector and private sectors namely - Action construction equipment, Escort construction equipment, Spartan engineering industries private limited, to name a few. Acuité believes that the group will continue to benefit in medium term on account of the extensive experience and reputed client base.

Weaknesses

Below average financial risk profile

The TG group has a below average financial risk profile marked by low networth, high gearing levels and moderate debt protection metrics. The tangible net worth of the group stood at Rs.15.49 crore as on March 31, 2023 (Prov), as against Rs.11.26 crore as on March 31, 2022. The gearing of the group stood at 2.31 times as on March 31, 2023(Prov), as against 2.14 times as on March 31, 2022. The group has done debt-funded capacity expansion in FY23 and FY24. The total project cost was Rs.7.60 Cr which is funded by debt. The total debt of the group consists of long-term debt of Rs.8.53 crore, unsecured loan of Rs.5.12 crore and short-term debt of Rs.19.66 crore as on March 31, 2023. The interest coverage ratio stood at 2.49 times as on March 31, 2023(Prov), as against 2.33 times as on March 31, 2023. The DSCR stood at 1.50 times as on March 31, 2023(Prov), as against 2.33 times as on March 31, 2022. Acuité believes the financial risk profile of the group will remain a key sensitivity in the medium term.

Working capital intensive operations

The group's working capital operations are intensive as evident from the GCA days of 155 days as on March 31, 2023 (Prov) as against GCA days of 191 days as on March 31, 2022. The inventory days stood at 83 days for FY23(Prov) as against 102 days for FY22. Average inventory holding period is of around 100 days. The process of conversion from raw material to the gear box takes around 3-4 months. The debtors' days stood at 63 days for FY23(Prov) as against 79 days for FY22. The average credit period allowed to the customers is around 60 days. The creditors days stood at 82 days for FY23(Prov) against 148 days for FY22. The average credit period received from the supplier is around 70-80 days. The average utilization of the bank limits are high at around 98 percent for TGT and 99 percent for TGPT. Acuité believes the working capital management of the group will remain a key sensitivity in the medium term.

Susceptibility of margins to raw material price fluctuation

As the group is into the manufacturing of gear boxes, the major raw material is steel, the price of which is volatile in nature. There exists a risk of susceptibility of the margins due to the raw material price fluctuations.

Rating Sensitivities

Sustained improvement in the scale of operations while maintaining profitability
Further deterioration in working capital cycle and debt protection metrics
Further deterioration in overall financial risk profile and liquidity profile

All Covenants

Not applicable

Liquidity position:stretched

The group has a stretched liquidity position as reflected by the high bank limit utilization which stood at ~98% for TGT and 99% for TGPT. The gross current asset days stood at 155 days as on March 31, 2023. The group generated cash accruals of Rs.7.27 crore in FY23(Prov) as against maturing debt obligations of Rs.3.20 crore over the same period. The group is estimated to generate cash accruals of Rs.8.31-11.94 crore over the period 2024-2025 against maturing debt obligations of Rs.2.67-3.07 crore over the same period. The group maintains unencumbered cash and bank balance of Rs.1.94 crore as on March 31, 2023(Prov). The current ratio stood at 1.23 times as on March 31, 2023(Prov).

Outlook:

Acuité believes that the outlook on the group's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience and improvement in revenues. 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 risk profile and liquidity position most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	131.37	76.22
PAT	Rs. Cr.	4.98	2.73
PAT Margin	(%)	3.79	3.58
Total Debt/Tangible Net Worth	Times	2.31	2.14
PBDIT/Interest	Times	2.49	2.33

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
22 Aug 2022	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	1.39	ACUITE BB Stable (Reaffirmed)
	Letter of Credit	Short Term	1.75	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.96	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.90	ACUITE BB Stable (Reaffirmed)
26 May 2021	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Upgraded from ACUITE A4)
	Proposed Bank Facility	Long Term	0.55	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Working Capital Term Loan	Long Term	1.96	ACUITE BB Stable (Assigned)
	Working Capital Term Loan	Long Term	0.90	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	0.84	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Letter of Credit	Short Term	1.75	ACUITE A4+ (Upgraded from ACUITE A4)
04 Mar 2020	Letter of Credit	Short Term	1.75	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	1.14	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Proposed Bank Facility	Long Term	13.27	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Proposed Bank Facility	Short Term	3.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	0.25	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	4.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A4+ Reaffirmed
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BB Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.75	ACUITE A4+ Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.39	ACUITE BB Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.96	ACUITE BB Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.90	ACUITE BB 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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