

May 20, 2013

Facilities	Amount (Rs. Crores)	Rating
Cash Credit	7.00	SMERA B+/Stable/ Assigned
Letter of Credit	3.00	SMERA A4/Assigned

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) to Rs.7.00 crores long term facilities and '**SMERA A4**' (read as **SMERA A Four**) to Rs.3.00 crores short term facilities of Opel Auto Products Private Limited (Opel). The outlook is '**Stable**'. The ratings are constrained by small scale of operations and overutilization of cash credit due to stretched working capital requirements. The ratings are further constrained by below average capital structure, thin profit margins and heavy dependence on the automobile sector, which is currently undergoing a recessionary trend. However, the ratings derive support from the established track record of operations, diversified product profile and experience of the promoter and the second line of management in the automotive industry.

Opel is a small player in a highly fragmented automotive industry, which is characterized by high competition due to presence of several organized and unorganized players. Opel's operations are considered small in scale despite the company's long track record. However, its revenues have increased consistently at a CAGR of 36.04 per cent over FY2009 to FY2013. Opel primarily caters to original equipment manufacturers in the automotive industry and its revenues are thus largely dependent on the performance of automotive industry. The company has two strategically located manufacturing units at Tiruvallur, Tamil Nadu and Manesar, Haryana, which are in proximity to its leading customers including Mitsuba Sical India Limited, Autoliv Safety Systems India Private Limited and India Japan Lighting Private Limited. Opel is exposed to customer concentration risk as sales to Mitsuba Sical India Limited constitute around 45 per cent of the total revenue.

Opel's overall operations are managed by Mr. K. K. Saravanan, who has more than two decades of experience in the same line of business. He is assisted by an experienced second line of management.

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Opel has a below average financial profile marked by increasing leverage, which stood at 1.07 times as on March 31, 2010 as compared with 2.45 times as on March 31, 2012. This has resulted from an increase in borrowing for installation of machineries and decline in tangible networth during FY2012. The operating profit margin stands low at 5.78 per cent in FY2012, which has further impacted the coverage indicators with DSCR standing at 1.38 times for FY2012 and 1.22 times for FY2013.

The company's operations are working capital intensive as evidenced by high receivable days, which in turn pressurize its liquidity. This has led to frequent cheque returns and overutilization in the cash credit account (average utilization stood at 101.19 per cent) during the last six months ended March 2013.

Outlook: Stable

Opel has a 'Stable' outlook. SMERA believes that Opel will continue to benefit from its longstanding association with its customers and diversified product profile. However, the company's ability to retain a comfortable liquidity position and maintain profit margins amidst raw material price volatility remains the key rating sensitivity.

About the Company

Opel Auto Products Private Limited was incorporated in 2007 to take over the running business of Opel Auto Product, a partnership firm of Mr. K. K. Saravanan and Mrs. S. Savithri, established in 1996. Opel is engaged in manufacturing auto electrical parts and mainly caters to original equipment manufacturers in the automotive industry. Opel's customers include Mitsuba Sical India Limited, Autoliv Safety Systems India Private Limited and India Japan Lighting Private Limited. Opel has its manufacturing facilities located at Tiruvallur, Tamil Nadu and Manesar, Haryana.

Opel is headed by Mr. K. K. Saravanan, Managing Director, who is a Diploma in Mechanical Engineering with 23 years of experience in the automotive industry. He is assisted by a qualified and experienced second line of management.

For FY2013 (unaudited), Opel had reported PAT of Rs.0.50 crores on total income of Rs.32.73 crores compared with PAT of Rs. 0.47 crores on total income of Rs.30.65 crores for FY2012.

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