



SMERA RATINGS LIMITED

Autocop India Private Limited (AIPL)

*Rating
Rationale*

November 10, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	47.00 [^]	SMERA BBB/Stable (Reaffirmed)
Term Loan	1.23	SMERA BBB/Stable (Reaffirmed)
Buyers Credit	1.00*	SMERA A3+ (Reaffirmed)
Loan Equivalent Risk on Forward Contracts	1.25*	SMERA A3+ (Reaffirmed)
Bank Guarantee	0.50*	SMERA A3+ (Reaffirmed)
Letter of Credit	5.00*	SMERA A3+ (Reaffirmed)

*Sublimit of cash credit facility, which also includes a bill discounting facility of Rs.2.00 crore

[^]Includes working capital demand loan as a sublimit to the extent of Rs.8.00 crore

SMERA has reaffirmed the ratings of '**SMERA BBB**' (read as **SMERA triple B**) and '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs.48.23 crore bank facilities of Autocop India Private Limited (AIPL). The outlook is '**Stable**'. The ratings draw comfort from the company's ability to register stable cash flows from operations despite slowdown in the automobile sector. The ratings also draw comfort from the company's strong distribution and service network, exclusive distribution rights and long-standing associations with various reputed original equipment manufacturers (OEMs). The ratings are supported by the company's experienced management and moderate financial risk profile. However, the ratings are constrained by the company's working-capital intensive operations. The ratings are also constrained by the company's high dependence on the automobile industry.

Update

AIPL reported net cash accruals of Rs.5.87 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with net cash accruals of Rs.5.91 crore in the previous year. The company's working capital cycle stood at 58 days in FY2013-14. AIPL reported sales of Rs.393.02 crore in FY2013-14, as compared with sales of Rs.381.96 crore in the previous year. The company's revenue share from trading activity increased from ~74.00 per cent in FY2012-13 to ~77.00 per cent in FY2013-14. AIPL remains highly dependent on the automobile sector despite undertaking diversification into manufacturing of tracking systems for other industries such as logistics, construction and transportation.

AIPL has entered into an exclusive distributorship agreement with Panasonic for marketing car batteries in India.

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SMERA believes AIPL is poised to register healthy revenue growth on the back of the expected revival in the automobile sector.

Rating sensitivity factors

- Change in working capital requirements.
- Change in operating profit margins.

Outlook: Stable

SMERA believes AIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations, strong distribution network and exclusive distribution rights. The outlook may be revised to 'Positive' in case the company registers sustained growth in net cash accruals while achieving efficient working capital management. The outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues, or in case of deterioration in the company's financial risk profile.

About the company

AIPL, incorporated in 1991, is a Mumbai-based company promoted by Mr. Umesh Deshpande, Mr. Suhas Doshi and Mrs. Rashmi Umesh Deshpande. AIPL deals in car infotainment products, home security equipment and car batteries. AIPL is an exclusive distributor for Pioneer India Electronics Private Limited and Panasonic India Private Limited. AIPL is also engaged in manufacturing of car security equipment such as central locking systems, power windows, reverse warning systems, gear locks and vehicle tracking systems. The company has two manufacturing facilities, one in Baddi, Himachal Pradesh and the other in Nashik, Maharashtra.

For FY2013-14, AIPL registered profit after tax (PAT) of Rs.5.00 crore on total revenues of Rs.400.03 crore, as compared with PAT of Rs.4.81 crore on total revenues of Rs.387.75 crore in the previous year. The company's net worth stood at Rs.39.36 crore as on March 31, 2014, as compared with Rs.34.36 crore a year earlier.

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