

March 17, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	47.00[^]	SMERA BBB-/Stable (Downgraded from SMERA BBB/Stable)
Term Loan	1.23	SMERA BBB-/Stable (Downgraded from SMERA BBB/Stable)
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 downgraded the long term rating of Autocop India Private Limited (AIPL) to '**SMERA BBB-**' (**read as SMERA triple B minus**) from '**SMERA BBB**' (**read as SMERA triple B**). The outlook is '**Stable**'. The rating downgrade is in view of the stagnant revenue growth due to declining trend of trading income and the lower than expected performance of the company. SMERA has reaffirmed the short term rating at '**SMERA A3+**' (**read as SMERA A three plus**).

The ratings continue to draw comfort from AIPL's strong distribution and service network, diversified product profile with improvement in manufacturing sales, moderate financial risk profile and experienced management. The ratings are also supported by the exclusive distribution rights of Pioneer India Electronics Private Limited's (Pioneer India) for car infotainment systems and accessories of other OEMs. However, the ratings are constrained by the company's working-capital intensive operations. The ratings are also constrained by the company's dependence on the automobile industry.

Update

AIPL's revenues have remained stagnant at Rs.401.84 crore in FY2014-15 (refers to financial year, April 01 to March 31) from Rs.399.56 crore in FY2013-14. The company's revenue share from trading activity declined from 77 per cent to 75 per cent due to low off take of car infotainment systems of Pioneer India. Further, there has also been a decline in sales of central locking systems. As expected by SMERA, the company has not been able to show improved performance inspite of the gradual revival in the automobile sector. During the period April to December 2015, AIPL registered revenues of Rs.263.42 crore.

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The operations are working capital intensive as reflected in the average bank limit utilisation (~95 per cent) from August 2015 to January 2016. The profit after tax (PAT) margins declined from 1.25 per cent in FY2013-14 to 0.89 per cent in FY2014-15 due to high interest and depreciation cost.

AIPL's financial risk profile continued to remain stable and moderate in FY2014-15. The debt equity ratio marginally improved from 1.68 times as on March 31, 2014 to 1.54 times as on March 31, 2015 while the interest coverage ratio was stable at 1.66 times for FY2014-15.

However, the company is highly dependent on the automobile sector despite diversification into manufacturing of tracking systems for industries such as logistics, construction and transportation.

Outlook: Stable

SMERA believes AIPL's outlook will remain stable in the near term owing to the stable revenue growth, strong product profile and exclusive selling rights. The outlook may be revised to 'Positive' if the company effectively manages its working capital requirements and generates healthy cash flows. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the working capital requirements or prolonged slowdown in the automobile industry.

Rating Sensitivity Factors

- Improvement in operating profit margins
- Efficient working capital management
- Maintaining revenue base

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. The company deals in car infotainment products and home security equipments. It is also an authorised dealer of Pioneer India for car batteries (Panasonic) and accessories (Renault and General Motors). AIPL is also involved in manufacturing car security equipments, including 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 FY2014-15, AIPL registered net sales of Rs.401.84 crore and PAT of Rs.3.57 crore, as compared with net sales of Rs.399.56 crore and PAT of Rs.5.00 crore in FY 2013-14.

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