

Press Release

Autocop India Private Limited (AIPL)

23 August, 2017

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 53.00 crore
Long Term Rating	SMERA BBB -/ Stable (Reaffirmed)
Short Term Rating	SMERA A3+ (Reaffirmed)

** Refer Annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the above mentioned bank facilities of Autocop (India) Private Limited (AIPL). The outlook is '**Stable**'.

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.

AIPL has sole selling rights of Pioneer Car Audio System since 2005 and exclusive distribution rights for accessories of General Motors Ltd for India. The company has also been dealing in Panasonic car batteries and Renault car accessories from May 2013 and 2016 respectively.

AIPL manufactures 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 at Baddi, Himachal Pradesh and the other at Nashik, Maharashtra. The combined production capacity stands at 18,00,000 lakh units per annum.

List of key rating drivers and their detailed description:

Strengths

Established track record of operations and experienced management: AIPL commenced operations in 1991. The company has been able to establish long standing relations with reputed original equipment manufacturers (OEMs) including Maruti Suzuki India Ltd., Toyota Kirloskar Motor Private Limited and Honda Access India Private Limited among others. AIPL benefits from its experienced management and distribution network of around 3000 dealers and distributors in India. The directors have around three decades of experience in the automobile sector.

SMERA believes that AIPL will continue to benefit from its experienced management and established relations with clients.

Improvement in operating margins: The operating margins improved from 4.20 per cent in FY2015-16 to 5.46 per cent in FY2016-17 (Provisional) due to decline in raw material cost and increase in the share of manufacturing activity which accounted for 59 per cent of the total revenue as against 32 per cent in the previous year. SMERA believes that AIPL will sustain its profitability owing to increase in

the contribution of manufactured products to total revenue.

Moderate financial risk profile: AIPL has moderate financial risk profile marked by tangible networth of Rs.49.06 crore as on 31 March, 2017 (Provisional) as against Rs.46.02 crore as on 31 March, 2016. The gearing improved to 1.27 times as on 31 March, 2017 (Provisional) as against 1.56 times as on 31 March, 2016. The total debt of Rs. 62.19 crore as on 31 March, 2017 comprises majorly working capital loan of Rs. 53.09 crore and term loan of Rs. 7.04 crore.

AIPL has moderate interest coverage ratio of 1.69 times in FY2016-17 (Provisional) as against 1.63 times in FY2015-16. The company has healthy net cash accruals of around Rs.5 crore as against term debt obligations of around Rs.2.00 crore.

SMERA believes that AIPL will sustain a healthy financial risk profile on the back of healthy cash accruals and absence of debt funded capex plans.

Weaknesses

Decline in revenue: AIPL registered 28.01 per cent decline in revenue in FY2016-17 (Provisional) over the previous year. Revenue declined to Rs.260.90 crore in FY2016-17 (Provisional) from Rs.362.40 crore in FY2015-16 on account of fall in share of trading activity from 66 per cent to 39 per cent and low off take of car infotainment systems of Pioneer India. The company registered revenue of Rs.75 crore from April to June 2017.

AIPL's ability to sustain revenues while maintaining profitability will be a key rating monitorable.

Working capital intensive operations: The operations are working capital intensive marked by high gross current assets (GCA) of 192 days in FY2016-17 (Provisional) as against 156 days in FY2015-16 due to inventory holding and debtor days of 130 and 62 days respectively in FY2017. The operations are working capital intensive reflected in the average bank limit utilisation (95 to 99 per cent) from November 2016 to April 2017. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of AIPL.

Outlook: Stable

SMERA believes that 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 working capital requirements or prolonged slowdown in the automobile industry.

About the Rated Entity - Key Financials

For FY2015-16, AIPL reported Profit after Tax (PAT) of Rs.3.12 crore on total operating income of

Rs.362.40 crore compared with PAT of Rs 3.57 crore on total operating income of Rs.401.84 crore in FY2014-15. The tangible net worth stood at Rs.46.02 crore as on 31 March, 2016 as against Rs.42.93 crore in the previous year. As per provisional financials for FY2016-17, AIPL reported PAT of Rs. 3.16 crore on total operating income of Rs.260.90 crore.

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs .Cr.)	Ratings/Outlook
15 Apr, 2016	Cash Credit	Long Term	52.00^	SMERA BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	1.00	SMERA BBB- / Stable (Reaffirmed)
	Buyers Credit*	Short Term	1.00	SMERA A3+ (Reaffirmed)
	Loan Equivalent Risk on Forward Contracts*	Short Term	1.25	SMERA A3+ (Reaffirmed)
	Bank Guarantee*	Short Term	0.50	SMERA A3+ (Reaffirmed)
	Letter of Credit*	Short Term	5.00	SMERA A3+ (Reaffirmed)
17th Mar, 16	Cash Credit	Long Term	47.00^	(SMERA BBB- / Stable (Downgraded from BBB))
	Term Loan	Long Term	1.23	(SMERA BBB- / Stable (Downgraded from BBB))
	Buyers Credit*	Short Term	1.00	SMERA A3+ (Reaffirmed)
	Loan Equivalent Risk on Forward Contracts*	Short Term	1.25	SMERA A3+ (Reaffirmed)
	Bank Guarantee*	Short Term	0.50	SMERA A3+ (Reaffirmed)
	Letter of Credit*	Short Term	5.00	SMERA A3+ (Reaffirmed)
10 Nov, 2014	Cash Credit	Long Term	47.00^	SMERA BBB / Stable (Reaffirmed)
	Term Loan	Long Term	1.23	SMERA BBB / Stable (Reaffirmed)

	Buyers Credit*	Short Term	1.00	SMERA A3+ (Reaffirmed)
	Loan Equivalent Risk on Forward Contracts*	Short Term	1.25	SMERA A3+ (Reaffirmed)
	Bank Guarantee*	Short Term	0.50	SMERA A3+ (Reaffirmed)
	Letter of Credit*	Short Term	5.00	SMERA A3+ (Reaffirmed)
29 Jul, 13	Cash Credit	Long Term	47.00^	SMERA BBB / Stable (Assigned)
	Term Loan	Long Term	1.23	SMERA BBB / Stable (Assigned)
	Buyers Credit*	Short Term	1.00	SMERA A3+ (Assigned)
	Loan Equivalent Risk on Forward Contracts*	Short Term	1.25	SMERA A3+ (Assigned)
	Bank Guarantee*	Short Term	0.50	SMERA A3+ (Assigned)
	Letter of Credit*	Short Term	5.00	SMERA A3+ (Assigned)

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

^Includes sublimit of working capital demand loan to the extent of Rs.8.00 crore, clean invoice discounting of Rs. 6.00 crore and letter of credit of Rs. 6.00 crore.

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	52.00^	SMERA BBB-/ Stable (Reaffirmed)
Term Loan	NA	NA	NA	1.00	SMERA BBB-/ Stable (Reaffirmed)
Buyers Credit*	NA	NA	NA	1.00	SMERA A3+ (Reaffirmed)
Bank Guarantee*	NA	NA	NA	0.50	SMERA A3+ (Reaffirmed)
Letter of Credit*	NA	NA	NA	5.00	SMERA A3+ (Reaffirmed)

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

^Includes sublimit of working capital demand loan to the extent of Rs.8.00 crore, clean invoice discounting of Rs. 6.00 crore and letter of credit of Rs. 6.00 crore.

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ABOUT SMERA

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