

Press Release

Autocop India Private Limited

May 03, 2019

Rating Downgraded and Assigned



Total Bank Facilities Rated*	Rs. 59.76 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Downgraded from ACUITE BBB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 52.05 crore bank facilities of Autocop India Private Limited (AIPL). The outlook is '**Stable**'.

Further, Acuité has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 7.71 crore bank facilities of AUTOCOP (INDIA) PRIVATE LIMITED (AIPL). The outlook is '**Stable**'.

The rating downgrade is on account of steep decline in revenues and profitability for FY2018. The company has reported operating margins of 5.29 per cent for FY2018 as compared to 5.55 per cent for FY2017. Also, its revenues were volatile and declined from Rs.362.40 crore in FY2016 to Rs.261.05 crore in FY2017 to Rs. 238.61 crore in FY2018. Further, the company has booked revenues of Rs. 168.11 crore (Provisional) for the period April – December, 2018. The ratings are constrained by declining revenues and highly competitive and fragmented industry. However, the ratings factor in the experienced management and long track record of operations.

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 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. Also, AIPL has started trading of Nakamichi car audio systems in FY2019. 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 9, 00,000 lakh units per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the AIPL to arrive at this rating.

Key Rating Drivers

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.

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

- Moderate financial risk profile**

AIPL has moderate financial risk profile marked by tangible networth of Rs.51.95 crore as on 31 March, 2018 as against Rs.49.04 crore as on 31 March, 2017. The gearing improved to 1.12 times as on 31 March, 2018 as against 1.30 times as on 31 March, 2017. The total debt of Rs. 58.10 crore as

on 31 March, 2018 comprises majorly working capital funds of Rs. 51.04 crore, term loan of Rs. 6.41 crore and unsecured loans of Rs. 0.64 crore. AIPL has moderate interest coverage ratio of 1.65 times in FY2018. The company has healthy net cash accruals of around Rs.4.23 crore as against term debt obligations of around Rs.2.05 crore. Acuite believes that AIPL will sustain a moderate financial risk profile on the back of healthy cash accruals and absence of debt funded capex plans.

Weaknesses

• Decline in revenue

AIPL registered 8.59 per cent decline in revenue in FY2018 over the previous year. Revenue declined to Rs.238.61 crore in FY2018 from Rs.261.05 crore in FY2017 and Rs. 362.40 crore in FY2016 on account of fall in share of trading activity from 66 per cent in FY2016 to 56 per cent in FY18 and low off take of car infotainment systems of Pioneer India. The company registered revenue of Rs.168.11 crore from April to December 2018. 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 187 days in FY2018 as against 190 days in FY2017 due to inventory holding and debtor days of 121 and 68 days respectively in FY2018. The operations are working capital intensive reflected in the average bank limit utilisation of 97.83 per cent from September 2018 to February 2019. Acuite believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Liquidity Position:

AIPL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.23 to 5.17 crore during the four years through 2015-18, while its maturing debt obligations were in the range of Rs.1.62 to 2.05 crore over the same period. The cash accruals of the company are estimated to remain around Rs.5.08 to 7.30 crore during 2019-21, while its repayment obligations are estimated to be around Rs.1.73 to 5.35 crore. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 187 in FY 2018. This has led to higher reliance on working capital borrowings as reflected in the average bank limit utilisation of 97.83 per cent from September 2018 to February 2019. The company maintains unencumbered cash and bank balances of Rs.1.42 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.47 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term.

Outlook: Stable

Acuite believes that AIPL's outlook will remain stable in the near term owing to the product profile and exclusive selling rights. The outlook may be revised to 'Positive' if the company manages to scale up its operations while effectively managing its working capital requirements and generates healthy cash flows. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenues or stretch in working capital requirements and prolonged slowdown in the automobile industry.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	238.61	261.05	362.40
EBITDA	Rs. Cr.	12.61	14.48	15.22
PAT	Rs. Cr.	2.87	3.09	3.12
EBITDA Margin	(%)	5.29	5.55	4.20
PAT Margin	(%)	1.20	1.18	0.86
ROCE	(%)	10.17	11.11	11.87
Total Debt/Tangible Net Worth	Times	1.12	1.30	1.56
PBDIT/Interest	Times	1.65	1.65	1.63
Total Debt/PBDIT	Times	4.55	4.35	4.66
Gross Current Assets (Days)	Days	187	190	156

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Nov-2018	Cash Credit	Long Term	52.00 [^]	ACUITE BBB-/Stable (Indicative)
	Term Loan	Long Term	1.00	ACUITE BBB-/Stable (Indicative)
	Buyers Credit	Short Term	1.00*	ACUITE A3+ (Indicative)
	Bank Guarantee	Short Term	0.50*	ACUITE A3+ (Indicative)
	Letter of Credit	Short Term	5.00*	ACUITE A3+ (Indicative)
23-Aug-2017	Cash Credit	Long Term	52.00 [^]	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB-/Stable (Reaffirmed)
	Buyers Credit	Short Term	1.00*	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	0.50*	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	5.00*	ACUITE A3+ (Reaffirmed)
15-Apr-2016	Cash Credit	Long Term	52.00 [^] (enhanced from Rs. 47.00 crore)	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB-/Stable (Reaffirmed)
	Buyers Credit	Short Term	1.00*	ACUITE A3+ (Reaffirmed)
	Loan Equivalent Risk on forward contracts	Short Term	1.25*	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	0.50*	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	5.00*	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	47.00 [^]	ACUITE BBB-/Stable (Downgraded from ACUITE BBB/Stable)
	Term Loan	Long Term	1.23	ACUITE BBB-/Stable (Downgraded from

17-Mar-2016				ACUITE BBB/Stable)
	Buyers Credit	Short Term	1.00*	ACUITE A3+ (Reaffirmed)
	Loan Equivalent Risk on forward contracts	Short Term	1.25*	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	0.50*	ACUITE A3+ (Reaffirmed)
10-Nov-2014	Letter of Credit	Short Term	5.00*	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	47.00^	ACUITE BBB/Stable (Reaffirmed)
	Term Loan	Long Term	1.23	ACUITE BBB/Stable (Reaffirmed)
	Buyers Credit	Short Term	1.00*	ACUITE A3+ (Reaffirmed)
	Loan Equivalent Risk on forward contracts	Short Term	1.25*	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	0.50*	ACUITE A3+ (Reaffirmed)
29-Jul-2013	Letter of Credit	Short Term	5.00*	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	47.00^	ACUITE BBB/Stable (Assigned)
	Term Loan	Long Term	1.23	ACUITE BBB/Stable (Assigned)
	Buyers Credit	Short Term	1.00*	ACUITE A3+ (Assigned)
	Loan Equivalent Risk on forward contracts	Short Term	1.25*	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	0.50*	ACUITE A3+ (Assigned)
29-Jul-2013	Letter of Credit	Short Term	5.00*	ACUITE A3+ (Assigned)

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

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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.00*	ACUITE BB+ / Stable (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.00#	ACUITE BB+ / Stable (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50^	ACUITE BB+ / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE BB+ / Stable (Downgraded)
Term Loans	Not Applicable	Not Applicable	Not Applicable	5.21	ACUITE BB+ / Stable (Assigned)

*Cash Credit of Rs. 26.00 crore from Axis Bank includes sub-limit of WCDL, bill discounting, bank guarantee and letter of credit to the extent of Rs. 13.00 crore, Rs.2.00 crore, Rs.0.50 crore and Rs.5.00 crore respectively.

#Cash Credit of Rs. 26.00 crore from Yes Bank includes sub-limit of bill discounting, import letter of credit, financial bank guarantee/ standby line of credit, bank guarantee and WCDL to the extent of Rs. 10.00 crore, Rs.20.00 crore, Rs.20.00 crore, Rs. 3.00 crore and Rs.26.00 crore respectively.

^Cash credit of Rs.2.50 crore from HDFC Bank includes sub-limit of WCDL and letter of credit to the extent of Rs.2.50 crore.

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About Acuite Ratings & Research:

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