

Rating Rationale

Brickwork Ratings revises ratings to “BWR BB /A4” for the enhanced Bank Loan Facilities amounting to ₹7.15 Cr of Auto Clutches

Brickwork Ratings has revised **Ratings¹** for the enhanced bank loan facilities of ₹7.15 Crores (Rupees Seven Crores and Fifteen Lakhs Only) of Auto Clutches (“AC” or the “Concern”) as follows:

| Limits | Limit (₹ Cr) | | Tenure | Rating | Rating History [^] |
|--|--------------|----------|--|---|---|
| | Present | Previous | | | |
| Cash Credit (Stock) (Fund Based) | 5.00 | 3.00 | Long Term | BWR BB (Pronounced BWR Double B) Outlook: Stable Upgraded | BWR BB- (Pronounced BWR Double B Minus) (December, 2014) Outlook: Stable |
| Cash Credit (Book debt) (Fund Based) | 0.50 | 0.50 | | | |
| Letter of Credit (Inland) (Non-Fund Based) | 1.50 | - | Short Term | BWR A4 (Pronounced as BWR A Four) Reaffirmed | BWR A4 (Pronounced as BWR A Four) |
| Bank Guarantee (Non-Fund Based) | 0.15 | 0.45 | | | |
| Total | 7.15 | 3.95 | INR Seven Crores and Fifteen Lakhs Only. | | |

BWR has essentially relied upon the audited financial results upto FY15, provisional financials of FY16, projected financials up to FY18, publicly available information and information/clarifications provided by the concern’s management.

The ratings continue to draw strength from the industry experience of the proprietor, operational track record of the concern for around 3 decades established relationships with reputed clients and revenue growth with improved profitability margins. However, the ratings continue to be constrained by the low scale of operations considering the years of existence, intense competition due to the fragmented nature of the industry and slightly strained liquidity.

Company Background

Auto Clutches was established in 1986 in Shimoga, Karnataka. Mr. Subramanya is the proprietor of the concern. The concern is involved in the manufacture of automotive machine parts viz., Shackle Pin/Spring Pin, King Pin/Knuckle Pin, Selector Plate/Rails, Shifter Shafts, Machined Castings, Turned Parts and Axle Parts. The unit is spread over an area of 1,00,000 sq.ft. with an installed capacity of 3.5 Lakh pieces/month and the utilized capacity is ~70%. The concern has

¹ Please refer to www.brickworkratings.com for definition of the Ratings

established heat treatment facilities in-house. Auto Clutches has a sister concern, Perfect Alloys Pvt Ltd, which is also involved in the manufacturing of other auto components. The concern is also venturing into export of its products to Detroit Diesel Corporation, Detroit, U.S and SM Motorenteile, Germany.

Financial Performance:

Net revenue has increased to ₹19.40 crs in FY15 as against ₹11.46 crs in FY14. Profit after tax (PAT) is improved to ₹1.08 crs in FY15 as against ₹0.18 crs in FY14. Proprietor's capital of the concern stood at ₹6.27 crs as on 31st March, 2015.

On a provisional basis, the concern has achieved net revenue of ~₹32.00 crs for FY16.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the concern to increase its scale of operations profitably, strengthen its credit profile and manage its working capital efficiently would be the key rating sensitivities.

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