



Rating Rationale

Auto Clutches

18 April 2018

Brickwork Ratings revises the ratings for the enhanced Bank Loan Facilities of ₹10.68 Crores of Auto Clutches and removes the ratings from the “Issuer Not Cooperating” Category

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating#	
	Previous	Present		Previous(Aug 2017)	Present
Fund Based	5.50	8.68	Long Term	BWR BB- Issuer Not Cooperating* Outlook: Stable (Pronounced BWR Double B Minus)	BWR BB (Pronounced BWR Double B) Outlook: Stable (Upgraded and removed from “Issuer Not Cooperating” category)
	-	1.50	Short Term	BWR A4 Issuer Not Cooperating* (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four) (Reaffirmed and removed from “Issuer Not Cooperating” category)
Non Fund Based	1.65	0.50	Short Term		
Total	7.15	10.68	INR Ten Crores and Sixty Eight Lakhs Only		

#Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

*Issuer did not cooperate; Based on best available information.

Complete details of Bank facilities is provided in Annexure-I.

Ratings revised

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results upto FY17, projected financials up to FY19, 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 and established relationships with reputed clients. However, the ratings continue to be constrained by the low scale of operations, intense competition due to the fragmented nature of the industry, decline in revenues and working capital intensive operations.



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.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Management:**

Mr. H.V Subramanya is the proprietor of the concern and carries over three decades of experience in the manufacturing of automotive machine parts.

- **Reputed clientele base:** The concern has long term standing relationships with reputed clients, which enables it to get repeat orders.

- **Average financial risk profile:**

Gearing was moderate at 1.62 times as on March 31 2017. Interest Coverage Ratio and Debt Service Coverage Ratio of the concern were comfortable at 2.57 times and 1.97 times respectively in FY17.

Credit Risks:

- **Modest scale of operations:**

Net revenue of the concern decreased from Rs. 32.67 Crs in FY16 to Rs. 27.37 Crs in FY17. During FY17, Net Revenue of Rs. 27.37 Crs included domestic sales of Rs. 10.64 Crs and export sales of Rs. 16.73 Crs.

- **High Competition from existing players in the market:**

The company operates in a highly competitive industry due to presence of large number of organised and unorganised players.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Auto Clutches'** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Concern

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 ~75%. The concern has 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 exports its products to established customers like as Detroit Diesel Corporation and SM Motorenteile, Germany.

Financial Performance

Net revenue decreased from Rs. 32.67 Crs in FY16 to Rs. 27.37 Crs in FY17. On a provisional basis, the concern has achieved revenue of ~Rs. 36 Crs in FY18. Key financial indicators are provided in Annexure II.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (April 2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	11 August 2017	11 May 2016	2015
1.	Fund Based	Long Term	8.68	BWR BB/Stable (Revised)	BWR BB-/Stable Issuer Not Cooperating* (Revised)	BWR BB/Stable (Revised)	Not Rated
2.	Fund Based	Short Term	1.50	BWR A4 (Reaffirmed)	-	-	-
3.	Non Fund Based	Short Term	0.50		BWR A4 Issuer Not Cooperating* (Reaffirmed)	BWR A4 (Reaffirmed)	Not Rated
Total			10.68	INR Ten Crores and Sixty Eight Lakhs Only			

*Issuer did not cooperate; Based on best available information.

Note: Initial Rating of BWR BB-/A4 in Dec 2014 for bank loan facilities of Rs. 3.95 Crs.

Rating Amount for May 2016 ratings: Rs. 7.15 Crs

Rating Amount for Aug 2017 ratings: Rs. 7.15 Crs

Status of non-cooperation with previous CRA (if applicable)- None

Any other information: None

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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Annexure-I - Bank facilities details

Name of the Bank	Fund Based/Non Fund Based	Tenure	State Bank of India*	Axis Bank Ltd
Name of the Limits			Previous (Rs. Crs)	Present (Rs. Crs)
Term Loan	Fund Based	Long Term	-	3.18
Cash credit (stock)	Fund Based		5.00	5.50
Cash credit (Book debt)	Fund Based		0.50	-
PCFC/PSCFC	Fund Based	Short Term	-	1.50
LC (Inland/Import)	Non-Fund Based		1.50	(1.50)
Bank Guarantee	Non-Fund Based		0.15	0.50
Total			7.15	10.68

*Facilities originally availed from State Bank of Mysore.



Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		Audited	Audited
Total Operating Revenues	Rs. Crores	35.52	30.23
EBITDA	Rs. Crores	2.21	2.65
PAT	Rs. Crores	0.83	0.96
Tangible Net worth	Rs. Crores	7.83	7.51
Total Debt/Tangible Net worth	Times	1.46	1.62
Current Ratio	Times	1.14	1.19

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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