



RATING RATIONALE

16 Sept 2020

Cooper Gaskets Pvt. Ltd.

Brickwork Ratings revises the long term rating and reaffirms the short term rating for the Bank Loan Facilities of ₹. 5.20 Crores of Cooper Gaskets Pvt. Ltd. ('CGPL' or 'the company').

Particulars:

Facility [^]	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Aug' 2019)	Present
Fund Based Cash Credit	5.20	5.20	Long Term	BWR B (Stable) [Assigned]	BWR B+ (Stable) [Upgraded]
Non-fund Based Letter Of Credit	(0.40)	(0.40)	Short Term	BWR A4 [Assigned]	BWR A4 [Reaffirmed]
Total	5.20	5.20	INR Five Crores and Twenty Lakhs only		

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

[^]Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK : Stable

BWR has upgraded the long term rating to "BWR B+" with "Stable" outlook and reaffirmed the short term rating at BWR A4 for the bank loan facilities of Cooper Gaskets Pvt, Ltd. ('CGPL' or 'the company').

The rating draws strength from the well experienced directors, long operational track record, reputed clientele base and moderate financial risk parameters. However, the rating is constrained on account of stiff competition in the auto component industry, changing technology risk, susceptibility to economic cycles and working capital intensive nature of operations.

The rating outlook has been assigned as "Stable" as BWR believes that Cooper Gaskets Pvt. Ltd. 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 there is improvement in revenues and profitability. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or any liquidity issues.

KEY RATING DRIVERS

Credit Strengths:

- **Long operational track record and well experienced directors:** Being incorporated in May, 1994, CGPL has a long operational track record. The promoters-cum-directors of the company- Mr. Mangat Rai Batta and Mrs. Veena Batta have more than 3 decades long business experience and other director, Mr. Manav Batta also has more than 15 years experience in the manufacturing of gaskets, shims, washers, felt items and other sealing products. They have a long standing relation with customers and suppliers.
- **Moderate Financial Risk Parameters :** There is around 37.63% increase in sales from Rs. 8.77 cr in FY18 to Rs. 12.07 cr in FY19. Sales has further increased to Rs. 13.17 cr in FY20. The company has booked revenue of Rs. 3.11 cr in 4MFY21. The company has TNW of Rs. 5.95 cr as on 31.03.2019 out of which non current investment of Rs.2.62 cr has been made in its sister concern. Comfortable debt/equity ratio reflected at 0.95x in as on 31.03.2019. Moderate debt service metrics maintained with ISCR and DSCR at 1.51x and 1.31x in FY19 as against 1.42x and 1.33x in FY18. The company has moderate profitability margins with OPM and NPM at 9.97% and 1.80% in FY19 as against 12.15% and 2.12% in FY18.
- **Reputed Clientele Base :** The company has long standing relation with reputed companies namely, Mahindra & Mahindra Ltd., Tafe Motor & Tractor Ltd., Royal Enfield Ltd., SML Isuzu Ltd., International Tractor Ltd., Swaraj Engine Ltd., Hindustan Motors Ltd., Hero Motors Ltd., JCB India, etc.

Credit Challenges

- **Working Capital Intensive Operations :** The company has a high inventory holding requirement due to different raw material requirements in varied types of gaskets. The same is reflected through the elongated conversion cycle of 295 days in FY19 due to high inventory days.
- **Highly competitive industry :** Auto component industry is highly competitive due to the presence of a large number of unorganised players and established players in the market.
- **Threat of New Technology :** Auto component business is a high volume business where the margins are determined by the technological complexity of the components and importance of the auto component manufacturer to the OEM. The company needs to keep pace with new technology by constant R&D to ward off risk of obsolescence.
- **Vulnerability to cyclical nature of industry :** The company mainly caters to the needs of the automotive industry, which exposes it to the cyclicity inherent in the industry. The automotive industry has been experiencing slow down recently, particularly in the passenger vehicle segments, which may impact the volume offtake and revenues of CGPL.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward, the ability of the company to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company inter alia, is able to increase its scale of operations, profit margins or on account of any other favourable factor.

Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

LIQUIDITY POSITION : *Stretched*

The company has cash & cash equivalent balance of Rs. 0.01 crs as on 31.03.2019. Long term borrowings of Rs. 0.36 cr as on 31.03.2019 includes unsecured loans from directors of Rs. 0.30 cr and vehicle loan of Rs. 0.06 cr. Net cash accruals of Rs. 0.31 cr has been generated in FY19 against CPLTD of Rs. 0.06 cr. The company has an Interest service coverage ratio (ISCR) of 1.51x in FY19. Current ratio is moderate at 1.33x as on 31.03.2019. Conversion Cycle of the company stood elongated at 295 days in FY19. Overall liquidity of the company remains stretched with fully utilized cash credit limit of around 101.65 % in the six months ending July' 2020.

ANY GROUP CONCERNS

The company has a group concern, namely, Cooper Automobiles Ltd. in which the CGPL has an investment of Rs. 2.62 cr (~17.48%). CGPL undertakes only a small amount of job work for Cooper Automobiles.

COMPANY PROFILE

Incorporated in 1994, Cooper Gaskets Pvt. Ltd. (CGPL) is a Haryana-based company engaged in the manufacture of auto components such as gaskets, shims, washers and felt rings at its manufacturing facility located at Panchkula. The company is currently managed and controlled by the directors - Mr. Manav Bhatta, Mr. Mangat Ral Bhatta and Mr. Veena Bhatta. The total manufacturing capacity of the plant is 40-50 lakhs units and the average capacity utilization stands at 70%. The total no. of workers employed in a factory floor is 100-125. They also hold quality certification ISO 9001:2015.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2020	FY 2019
Result Type		Provisional	Audited
Operating Income	₹ Cr	13.17	12.07
EBITDA	₹ Cr	1.30	1.20
PAT	₹ Cr	0.24	0.22
Tangible Net worth	₹ Cr	6.19	5.95
Total Debt/Tangible Net Worth	Times	0.94	0.95
Current Ratio	Times	1.34	1.33

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Not Available

RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	29 Aug' 2019	2018	2017
Fund Based Cash Credit	Long Term	5.20	BWR B+ (Stable) [Upgraded]	BWR B (Stable) [Assigned]	NA	NA
Non-fund Based Letter Of Credit	Short Term	(0.40)	BWR A4 [Reaffirmed]	BWR A4 [Assigned]	NA	NA
Total		5.20	INR Five crores and twenty lakhs only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

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[Cooper Gaskets Pvt. Ltd.]

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Fund Based Cash Credit	5.20	-	5.20
		Non-fund Based Letter Of Credit	-	(0.40)	(0.40)
TOTAL					5.20

Total Rupees Five crores and twenty lakhs only



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