



Rating Rationale

Nippon Thermostat (India) Ltd.

5 Mar 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 11.81 Crores of Nippon Thermostat (India) Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	11.81	Long Term	BWR B (Pronounced as BWR Single B) (Outlook: Stable)
Total	11.81	INR Eleven Crores And Eighty One Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial statements upto FY18 and publicly available information and the information/clarifications provided by the company.

The ratings draws strength from experienced management and long standing relationship with customers. However, the rating is constrained by high gearing ratio, low tangible net worth and liquidity.

Going forward, the ability of the company to increase its operating margins, profitability and manage its working capital efficiently will be the key rating sensitivities

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Management:** Mr.Seetha Chidambaram and Mr.T.K.Kameshwaran are the chairman and vice chairman respectively. They have more than 50 years of experience in auto ancillary industry. The directors of the company are Mr.C.Venkatachalam, Mr.S.Subramanian, Mr.T.Iwaki, Mr.T.Masuko and Mr.D.K.Sethi
- **Long Standing Relationship with customers:** Since, the company has been in existence from 1994, it has established long standing relationship with customers

Credit Risks:

- **Low Tangible Net worth:** The tangible net worth of the company is low at Rs.3.52Cr in FY18
- **High Gearing ratio:** The company is geared at high levels at 2.13 times in FY17 and 2.70 times in FY18
- **Liquidity:** DSCR of the company is at 1.17 times in FY18. . Further, company has also availed fresh term loans in September 2018 to the tune of Rs.2.72Cr. This could cause a stress in liquidity position of the company. Current ratio of the company is on the lower side at 0.84 times in FY17 and 0.87 times in FY18

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 **Nippon Thermostat (India) 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 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 Company

Nippon Thermostat (India) Limited, was established in 1994 in Chennai, India, as a Joint Venture Company between Mr.V.Chidambaram as Promoter and Chairman, Nippon Thermostat Co.Ltd., Tokyo, Japan, and Maruti Suzuki India Limited. to manufacture Thermostats and Sensor Water Temperature and supply to the 100% requirement of Maruti Suzuki India Limited., a Suzuki Joint Venture to produce Motor Cars and Utility Vehicles in India.

Mrs.Seetha Chidambaram and Mr.T.K.Kameshwaran are the chairman and vice chairman respectively. They have more than 50 years of experience in auto ancillary industry. The other directors of the company are Mr.C.Venkatachalam, Mr.S.Subramanian, Mr.T.Iwaki, Mr.T.Masuko and Mr.D.K.Sethi. The company manufactures Thermostats and Sensor Water Temperature and supply to the 100% requirement of Maruti Suzuki India Limited., a Suzuki Joint Venture to produce Motor Cars and Utility Vehicles in India. Operating capacity of the company is at 450,000 units per month

Company Financial Performance

The company's net revenue from operations is Rs.36.37Cr in FY18 and Rs.32.89Cr in FY17. Net profit margin reported at -0.67% in FY18 . Tangible net worth stood at Rs.3.52Cr as at the end of March 31, 2018

Key Financial Indicators

Key Parameters	Units	2018	2017	2016
Result Type		Audited	Audited	Audited
Operating Revenue	₹ Cr	36.37	32.89	28.10
EBITDA	₹ Cr	1.69	1.17	0.09
PAT	₹ Cr	-0.25	-0.08	-1.14
Tangible Net worth	₹ Cr	3.52	3.77	3.85
Total Debt/Tangible Net worth	Times	2.70	2.13	2.25
Current Ratio	Times	0.87	0.84	0.78

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Cash Credit	Long Term	9.00	BWR B (Pronounced as BWR Single B) (Outlook: Stable)	NIL	NIL	NIL
	Term Loan	Long Term	2.81		NIL	NIL	NIL
	Total		11.81	₹Eleven Crores and Eighty One Lakhs Only			

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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