

Rating Report

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

Brickwork Ratings has revised **Ratings**¹ 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 (₹ Crs)		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.

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

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 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.

Credit Risk Analysis:

- The net revenue of the concern has improved by 69.28% from ₹11.46 crs in FY14 to ₹19.40 crs in FY15 due to increased orderbook position and customer base.
- The concern has added new machineries in the business which has resulted in increased production efficiency.
- Total debt of the concern has doubled which has resulted in increased interest and finance charges.
- Proprietor's capital stood at ₹6.27 crs in FY15 which provides a moderate level of cushion against the adverse business condition.
- The concern has comfortable debt protection metrics.
- This industry is characterized by high competition with presence of a few established players and a large number of unorganized players. Continuous technological upgradation will be the key factor to survive in the market.
- During FY15, the concern has a low current ratio of 1.05x and stretched cash conversion cycle of 113 days. Gearing ratio was also stretched at 188x in FY15.
- The concern is exporting some of its products to a few foreign countries which results in risk of currency fluctuations. Hedging policies should be put in place.

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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Annexure – I
Profit & Loss Statement

Crores	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Net Sales	14.71	11.46	19.40
Other Operating Income	1.52	2.40	2.76
Total Operating Income	16.23	13.86	22.16
Raw Material Consumed	9.48	8.17	12.89
Change In Inventory (Increase)/Decrease	-0.76	-1.44	-1.35
Power and Fuel Expenses	0.73	0.60	0.94
Employee Cost	1.72	1.67	2.29
Manufacturing Expenses	2.08	2.21	3.06
Cost of Goods Sold	13.25	11.20	17.84
Selling, General and other Administrative expenses	0.98	1.06	1.43
Operating Expenses	14.22	12.26	19.27
OPBDIT	2.00	1.60	2.89
Depreciation	1.15	0.96	1.88
OPBIT	0.85	0.64	1.01
Interest and Finance Charges	0.71	0.54	0.88
OPBT	0.14	0.10	0.13
Non Operating Income(Expenses)	0.11	0.08	0.95
PBT	0.25	0.18	1.08
Provision for Taxes	0.00	0.00	0.00

Annexure – II
Balance Sheet Statement as on 31st March

Crores	2013	2014	2015
Result Type	Audited	Audited	Audited
LIABILITIES			
Proprietor's Capital	7.91	6.96	6.27
Capital	7.66	6.78	5.18
Reserves and Surplus	0.25	0.18	1.08
Non-current liabilities	1.23	1.48	2.53
Long-Term Borrowings	1.23	1.48	2.53
Current liabilities	5.54	5.24	13.16
Short-Term Borrowings	3.57	2.91	9.22
Trade Payables	1.96	2.32	3.93
Other Current Liabilities	0.00	0.00	0.00
Short-Term Provisions	0.01	0.01	0.02
Total Liabilities	14.68	13.68	21.96
ASSETS			
Non-current assets	6.58	5.69	8.16
Net Fixed assets	6.58	5.69	8.16
Current assets	8.10	7.99	13.80
Inventories	3.37	3.77	7.22
Trade Receivables	3.09	3.20	5.01
Cash and Cash Equivalents	0.97	0.65	0.48
Short-Term Loans and Advances	0.67	0.36	0.99
Other Current Assets	0.00	0.00	0.11
Total Assets	14.68	13.68	21.96

Annexure – III
Key Financial Ratios

Key Ratios Parameters	UOM	FY13	FY14	FY15
		Audited	Audited	Audited
Long Term Borrowings	Crores	1.23	1.48	2.53
Short Term Borrowings	Crores	3.57	2.91	9.22
Total Debt	Crores	4.80	4.39	11.75
Total Debt (Analyzed)	Crores	4.74	4.33	11.59
Proprietor's Capital	Crores	7.91	6.96	6.27
Proprietor's Capital (Analyzed)	Crores	7.97	7.02	6.42
Capital Employed	Crores	12.71	11.35	18.02
Total Debt/TNW	Times	0.61	0.63	1.88
Total Debt/TNW(Analyzed)	Times	0.59	0.62	1.81
Long Term Debt/TNW	Times	0.16	0.21	0.40
TOL/TNW	Times	0.84	0.95	2.45
ISCR	Times	2.82	2.98	3.29
DSCR	Times	2.04	2.36	3.53
DSCR(Analyzed)	Times	1.95	2.36	2.56
Net Cash Accruals/Total Debt	Times	0.29	0.26	0.25
Net Cash Accruals/Long Term Debt	Times	1.14	0.77	1.17
Net Profit Margin	%	1.53	1.31	4.89
Operating Profit Margin	%	12.35	11.54	13.05
ROCE	%	6.78	5.30	6.87
Current Ratio	Times	1.46	1.53	1.05
Current Ratio(Analyzed)	Times	1.49	1.56	1.07
Days Receivables	Days	83	100	77
Days Inventory	Days	86	116	112
Days Payable	Days	93	110	76
Conversion Cycle	Days	76	107	113