Press Release

Reliable Autotech Private Limited

August 10, 2022

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	82.00	IVR BBB+ /Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Cash Credit	45.00	IVR BBB+ /Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Proposed	1.00	IVR BBB+ /Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Bank Facilities Post Shipment Credit	5.00	IVR A2 (IVR A Two)	Assigned	Simple
Short Term Non-Fund Bank Facilities Letter of Credit	30.00	IVR A2 (IVR A Two)	Assigned	Simple
Short Term Non-Fund Based Facilities – PSR	2.00	IVR A2 (IVR A Two)	Assigned	Simple
Total	**165.00**			

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Reliable Autotech Private Limited (herein after referred as "RAPL") derive strength from the Strong Promoters Experience and Established track record of operations with in-house R&D capabilities, established relationship with reputed OEM's and Sustainable Scale of Operations & Growing Exports, Diversified Product Portfolio and healthy financial risk profile backed by strong coverage indicators. However, the rating strengths are partially offset by customer concentration risk and exposure to cyclicality in the end user industry.

Key Rating Sensitivities:

Upward Factors:

- Improvement in scale of operations while maintaining profitability as envisaged will be a key rating monitorable.
- Further improvement in leverage and debt coverage metrics as envisaged.

Downward Factors:

- Decline in scale of operations and Profitability.
- Debt funded capex over and above as envisaged leading to deterioration of leverage and coverage metrics.
- Any elongation of the working capital cycle, leading to increased dependence on banking borrowing will be a key rating sensitivity.

Key Rating Drivers with detailed description

Key Rating Strengths:

Strong Promoters Experience and Established track record of operations with in-house R&D capabilities:

The promoters have more than three decades of extensive experience in manufacturing of engineering components such as sheet metal components, welded assemblies, tractor axle beams, heavy stamping components & dies/gauges/fixtures etc. Over the years, the promoters have established healthy relations with their key customers and the same helps in maintaining a healthy in-hand order book. The Company has inhouse DSIR (Department of Scientific and Industrial Research) recognised Research and Development (R&D) Centres at Nashik and Pune which ensure error-free & timely product development. The company's end-to-end service capabilities from design to delivery supported by overseas warehouses makes it a strategic partner for global OEMs.

Established relationship with reputed OEM's and Sustainable Scale of Operations & Growing Exports:

The Company has established and maintained excellent relations with its customers and caters to major OEMs such as Mahindra & Mahindra (M&M), John Deere, Skoda-Volkswagen, DANA, Benteler, Hyster-Yale, Navistar etc. RAPL is also the sole supplier for majority of the components/sub-assemblies to most of OEMs. The Company's proven track record of quality & delivery has resulted in consistent repeat orders from these OEMs. The Company's scale of operations has increased substantially in FY 21-22 despite the industry-wide disruption caused by the pandemic. The Company's focus on Exports has also enabled the Company to mitigate risks to a large extent in the last 3 years, the export of the company has improved from INR63.59 crore in FY20 to INR120.49 crore in FY22. The Company has already received exports orders worth INR 100 crores from a new customer, Meritor Inc. for supply of critical components for axles used in heavy duty commercial vehicles.

Diversified Product Portfolio:

The Company has been successful in diversifying the product portfolio by catering to customers from varied domains industries. RAPL forayed into the Defense Sector in 2018 and it has a healthy order book in FY 22-23 from reputed customers such as L&T Defense, Mahindra Defense & Tata Advanced Defense Systems. The Company already has confirmed orders from Hyster-Yale Inc, for manufacturing components of Material Handling equipment.

Recently, RAPL has entered supply of components of Railway coaches' equipment with an initial order from Siemens India. The Company is also in advanced stages of finalization of orders for EV components from one of the leading EV Battery suppliers in USA & India.

Healthy Financial risk profile backed by strong coverage indicators:

RAPL has strong financial risk profile, as reflected in moderate net worth, healthy capital structure and comfortable debt protection metrics. The company's net worth stood at Rs.100.82 crore as on March 31, 2022, driven by consistently healthy accretion of profits. Despite debt funded capex in past 2 years, the capital structure continues to remain comfortable with gearing of less than 1 as on March 31, 2022. Furthermore, the debt protection metrics remained strong, as reflected in interest coverage ratio of 4.07 times and DSCR ratio of 2.04 times during FY22.

Key Rating Weaknesses:

Customer concentration risk:

RAPL remains exposed to the client concentration risk as the top two and top five customers accounted for nearly 60% and 72% of its total revenues in FY21-22, respectively. However, the Company services more than 12 geographic locations of its major customer John Deere globally across three continents; and each location manufactures unique products for specific applications such as Tractors, Harvesters, Forestry Equipment, Construction Equipment, Turf Care equipment, etc. The addition of reputed OEMs from other Industries such as Railways, Commercial Vehicles, Electric Vehicles, Material Handling, Construction Equipment, etc. to its clientele in the recent years is likely to further bring down the customer concentration once the serial production increases.

Cyclicality and competition associated with automotive component industry:

The automobile industry is highly cyclical in nature and automotive component suppliers' sales are directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is highly competitive with the presence of many players in the organized as well as unorganized sector.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

RAPL generated gross cash accruals of Rs. 28.43 crore for period FY2022 as against repayment obligations of Rs. 9.43 crores for the same period. The company's operations are moderately working capital intensive marked by Gross Current Assets of 102 days in FY2022 and 117 days in FY2021. This makes the company dependent on bank borrowing to fund its working capital requirement. The average bank limit utilization stood at ~69 percent for the twelve-month period ended June 2022. The company has maintained cash & bank balance of Rs. 12.18 crore in FY2022. RAPLs liquidity profile is expected to remain adequate over the medium term on account of its adequate cash accruals against repayment obligations and adequate cash and bank balance. Company has capex plans of Rs ~22.00 crore in fiscal 2022-23 to support incremental orders from new customers. Above capex will be funded by long term debts and internal cash accruals.

About the Company:

Company is promoted by Mr. Rajendra Bagwe, Mr. Devendra Bapat and Mr. Amol Chitnis was incorporated in 1996. It is engaged in manufacturing of engineering components such as sheet metal components, welded assemblies, tractor axle beams, heavy stamping components & dies/gauges/ fixtures etc. RAPL also diversified into the engineering sector, its product range includes gas meter casings and dies, farm equipment, sub-assemblies for defence etc

Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Operating Income	312.19	446.26
EBITDA	30.15	43.38
PAT	10.91	13.61
Total Debt	80.44	95.61
Tangible Net-worth*	87.41	100.82
Ratios		
EBITDA Margin (%)	9.66	9.72
PAT Margin (%)	3.47	3.03
Overall Gearing Ratio* (x)	0.92	0.95

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

(INR Crore)

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 21-22	Date(s) & Rating(s) assigned in 20-21	Date(s) & Rating(s) assigned in 2019-2020

1	Long Term Fund Based Bank Facilities – Term Loan	Term Long	82.00	IVR BBB+ /Stable Outlook (IVR Triple B Plus with Stable Outlook)	--	--	--
2	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	45.00	IVR BBB+ /Stable Outlook (IVR Triple B Plus with Stable Outlook)	--	--	--
3.	Long Term Fund Based Bank Facilities – Proposed	Long Term	1.00	IVR BBB+ /Stable Outlook (IVR Triple B Plus with Stable Outlook)	--	--	--
4.	Short Term Non-Fund Bank Facilities Post Shipment Credit	Short Term	5.00	IVR A2 (IVR A Two)	--	--	--
5.	Short Term Non-Fund Bank Facilities Letter of Credit	Short Term	30.00	IVR A2 (IVR A Two)	--	--	--
6.	Short Term Non-Fund Based Facilities – PSR	Short Term	2.00	IVR A2 (IVR A Two)	--	--	--

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Annexure 1: Details of Facilities:

(INR Crore)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loan	--	--	--	82.00	IVR BBB+/ Stable
Long Term Fund Based Bank Facilities – Cash Credit	--	--	--	45.00	IVR BBB+/ Stable
Long Term Fund Based Bank Facilities – Proposed	--	--	--	1.00	IVR BBB+/ Stable
Short Term Non-Fund Bank Facilities Post Shipment Credit	--	--	--	5.00	IVR A2
Short Term Non-Fund Bank Facilities Letter of Credit	--	--	--	30.00	IVR A2
Short Term Non-Fund Based Facilities – PSR	--	--	--	2.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Reliable-Autotech-aug22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at https://www.infomerics.com/.