



## Rating Rationale

January 02, 2023 | Mumbai

### Autotech Industries India Private Limited

Ratings reaffirmed at 'CRISIL A+ / Stable / CRISIL A1+ '

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.54.63 Crore (Reduced from Rs.71.6 Crore)</b>
<b>Long Term Rating</b>	<b>CRISIL A+/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A1+ (Reaffirmed)</b>

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A+/Stable/CRISIL A1+' ratings on the bank facilities of Autotech Industries India Pvt Ltd (Autotech). CRISIL Ratings has also **withdrawn** its rating on Rs 16.97 crore of term loan at the company's request and upon the receipt of sanction letter with revised facilities. The withdrawal is in line with the withdrawal policy of CRISIL Ratings.

The company's revenue grew by 34% in fiscal 2022 despite the pandemic, driven by uptick in demand for end user commercial vehicles in the US and European markets. Operating margin declined by 280 basis points to 21.7%, driven by steep increase in raw material and freight charges, which could not be fully passed on to the customers .

Autotech's revenue degrew by 7% on-year in first half of fiscal 2023 on account of overall slowdown in the US and European markets, from where company derives around 80% of its export sales. Accordingly in fiscal 2023, revenue is expected to de-grow by 2-3% on-year basis. Although, operating margin remained at similar levels in the first half of fiscal 2023 as compared to similar period of previous year, margins are expected to moderate to 20-21% levels on account of higher raw material cost and limited pricing flexibility with a time lag of 6-9 months in passing on price rise to end customers. Over the medium term, revenue is expected to grow by 4-5% and operating margin is expected to sustain at above 20%.

The ratings also factor in the company's healthy financial risk profile, supported by comfortable debt protection metrics. Despite the additional debt taken in fiscal 2022 for capacity expansion of the rocker arm and foundry, gearing was negligible at lesser than 0.1 time as on March 31,2022, and is expected at similar levels over the medium term in the absence of any major planned capital expenditure (capex). Interest coverage ratio increased to 60.86 times in fiscal 2022 from 42.40 times in the previous fiscal and is expected to remain comfortable over the medium term.

The financial risk profile and liquidity are expected to improve further owing to higher cash accrual and moderate capex and incremental working capital requirement.

The ratings continue to reflect the established position of Autotech in the automotive (auto) components industry, supported by its status as major supplier of rocker assemblies to its customers with whom the business vintage is over 20 years.

These strengths are partially offset by exposure to US & Europe CV market cycle, concentration risk (where over 60% of total revenue is from top 5 customers )and fluctuations in raw material prices and foreign exchange (forex) rates.

#### Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of Autotech.

#### Key Rating Drivers & Detailed Description

##### Strengths

##### Established market position in the auto components industry

Autotech has established longstanding relationships with reputed customers, such as Cummins Inc (S&P Global Ratings [S&P] A+/Stable/A1; association of nearly two decades), Scania AB (S&P BBB/Negative/A2), Lucas TVS Ltd ('CRISIL AA+/Negative/CRISIL A1+'; associated since 1984), Tata Motors Ltd ('CRISIL AA-/Negative/CRISIL A1+'; 1986), Tata Cummins Ltd (1994) and Volvo India Ltd (2002). The company also enjoys a healthy share of business and has set up dedicated manufacturing facilities for each client. These large players in the US and Europe commercial vehicles industry benefited from upturn in the commercial vehicle cycle. Benefits from a strong market position and healthy relationships with customers should continue to support the business.

##### Strong financial risk profile

The financial risk profile of Autotech is reflected in its healthy capital structure and strong debt protection metrics. While debt is modest, network is expected at above Rs 580 crore at the end of fiscal 2023. Also, the company had healthy liquid surplus of around Rs 256 crore as of March 2022. Cash generation is expected to be healthy over the medium term, which will further strengthen the financial risk profile and increase the cash surplus.

##### Weaknesses

##### Exposure to revenue concentration risk

Autotech derives its entire revenue from original equipment manufacturers (OEMs) catering largely to the commercial vehicle segment, with the Cummins group and Scania AB alone contributing to 40-45% of sales; however, the share of revenue from the Cummins group has reduced over the last few years. Furthermore, geographic diversity in revenue (exports account for around 80%, while the remaining is derived from the domestic market) will render a certain stability to

business in case of slowdown in any particular market. Although partly mitigated by established relationships with clients, risks related to revenue concentration will persist over the medium term.

#### Susceptibility to fluctuations in raw material prices and forex rates

Since cost of procuring the raw material accounts for 40-45% of the cost of sales, even a slight variation in prices can drastically impact profitability. Given the high dependence on OEMs, wherein vendor pricing pressure is predominant, profitability will remain partly susceptible to steep variations in input costs and forex rates. However, Autotech has escalation/ pass-through clauses to hedge against fluctuations in forex rates on receivables from the Cummins group and Scania AB; forex receivables are also hedged through forward contracts. Besides, changes in input price are reviewed every six months. Nevertheless, given the large exposure to OEMs, profitability will remain susceptible to steep fluctuations in raw material prices and forex rates.

#### Liquidity: Strong

Net cash accruals, expected at Rs 88 crore and Rs 95 crore in fiscals 2023 and 2024, respectively, will be adequate to cover the debt obligation of around Rs 18 crore and Rs 10 crore, respectively. Cash and equivalents were over Rs 250 crore as on March 31, 2022, which will be adequate to fund the incremental working capital requirement and capex. Further the company has a liquid surplus of Rs.256 crore as on March 31<sup>st</sup>, 2022

#### Outlook Stable

Autotech will continue to benefit from its established clientele and healthy share of business with them, launch of products and strong financial risk profile.

#### Rating Sensitivity factors

##### Upward factors

- Sustained revenue growth of ~20% and healthy operating profitability of 25-27% leading to strong cash generation
- Sustainment of a strong financial risk profile and healthy liquid surplus

##### Downward factors

- Decline in offtake by the key customers leading to fall in revenue and operating margin of below 15%
- Large debt-funded capex or significant stretch in the working capital cycle leading to steep moderation in the debt metrics
- Depletion in liquid surplus, through large dividend payouts, significant decline or loss in market value of investments or towards funding material capex plans.

#### About the Company

Autotech acquired a partnership firm named Autotech Industries, set up in 1984 by Mr K S Jeyaraman and Mr S Rajarathinam, and registered it in 1997 under the directorship of the promoters. The company manufactures precision auto components and assemblies. It is the major supplier for most customers like Cummins Inc, Scania AB, Tata Motors Ltd, Tata Cummins Ltd and Volvo India Ltd etc. The company also specialises in other engine and power train components, such as oil pump shafts, fuel systems parts, idler shafts and shifter shafts.

For the first six months of fiscal 2023, the company reported PAT of Rs 47 crore on operating income of Rs 258 crore compared with Rs 50 crore and Rs 275 crore, respectively, in the corresponding period of the previous fiscal.

#### Key Financial Indicators

As on / for the period ended March 31		2022	2021
Operating income	Rs crore	553	413
Reported profit after tax (PAT)	Rs crore	96	83
PAT margins	%	17.5	20.0
Adjusted debt/adjusted networkth	Times	0.09	0.06
Interest coverage	Times	60.86	42.40

**Any other information:** Not applicable

#### Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

#### Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Letter of credit *	NA	NA	NA	5.58	NA	CRISIL A1+
NA	Export packing credit	NA	NA	NA	1	NA	CRISIL A+/Stable
NA	Term loan	NA	NA	Mar-26	42	NA	CRISIL A+/Stable
NA	Term loan	NA	NA	May-23	4.24	NA	Withdrawn
NA	Term loan	NA	NA	May-24	10.83	NA	Withdrawn
NA	Term loan	NA	NA	Oct-22	0.77	NA	Withdrawn
NA	Term loan	NA	NA	Mar-23	1.13	NA	Withdrawn
NA	Term loan	NA	NA	Mar-23	6.05	NA	CRISIL A+/Stable

\* Includes Rs 5.58 crore of credit exposure limit as sub-limit

#### Annexure - Rating History for last 3 Years

	Current	2023 (History)	2022	2021	2020	Start of 2020

Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund Based Facilities</b>	LT	66.02	CRISIL A+/Stable		--		--	26-11-21	CRISIL A+/Stable		--	CRISIL A1 / CRISIL A/Stable
			--		--		--	07-04-21	CRISIL A/Positive		--	--
			--		--		--	25-03-21	CRISIL A/Positive / CRISIL A1		--	--
<b>Non-Fund Based Facilities</b>	ST	5.58	CRISIL A1+		--		--	26-11-21	CRISIL A1+		--	CRISIL A1
			--		--		--	07-04-21	CRISIL A1		--	--
			--		--		--	25-03-21	CRISIL A1		--	--

All amounts are in Rs.Cr.

#### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
<b>Export Packing Credit</b>	<b>1</b>	<b>State Bank of India</b>	<b>CRISIL A+/Stable</b>
<b>Letter of Credit<sup>&amp;</sup></b>	<b>5.58</b>	<b>State Bank of India</b>	<b>CRISIL A1+</b>
<b>Term Loan</b>	<b>1.13</b>	<b>State Bank of India</b>	<b>Withdrawn</b>
<b>Term Loan</b>	<b>4.24</b>	<b>State Bank of India</b>	<b>Withdrawn</b>
<b>Term Loan</b>	<b>0.77</b>	<b>State Bank of India</b>	<b>Withdrawn</b>
<b>Term Loan</b>	<b>6.05</b>	<b>State Bank of India</b>	<b>CRISIL A+/Stable</b>
<b>Term Loan</b>	<b>10.83</b>	<b>State Bank of India</b>	<b>Withdrawn</b>
<b>Term Loan</b>	<b>42</b>	<b>State Bank of India</b>	<b>CRISIL A+/Stable</b>

This Annexure has been updated on 02-Jan-2023 in line with the lender-wise facility details as on 26-Nov-2021 received from the rated entity

& - Includes Rs 5.58 crore of Credit Exposure limit as sub-limit

#### Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Rating Criteria for Auto Component Suppliers</a>
<a href="#">CRISILs Criteria for rating short term debt</a>

Media Relations	Analytical Contacts	Customer Service Helpdesk
<b>Aveek Datta</b> Media Relations <b>CRISIL Limited</b> M: +91 99204 93912 B: +91 22 3342 3000 <a href="mailto:AVEEK.DATTA@crisil.com">AVEEK.DATTA@crisil.com</a>	Anuj Sethi Senior Director <b>CRISIL Ratings Limited</b> B: +91 44 6656 3100 <a href="mailto:anuj.sethi@crisil.com">anuj.sethi@crisil.com</a>	Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301  For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a>
<b>Prakruti Jani</b> Media Relations <b>CRISIL Limited</b> M: +91 98678 68976 B: +91 22 3342 3000 <a href="mailto:PRAKRUTI.JANI@crisil.com">PRAKRUTI.JANI@crisil.com</a>	Poonam Upadhyay Director <b>CRISIL Ratings Limited</b> D: +91 22 6172 3385 <a href="mailto:poonam.upadhyay@crisil.com">poonam.upadhyay@crisil.com</a>	For Analytical queries: <a href="mailto:ratingsinvestor@crisil.com">ratingsinvestor@crisil.com</a>
<b>Rutuja Gaikwad</b> Media Relations <b>CRISIL Limited</b> B: +91 22 3342 3000 <a href="mailto:Rutuja.Gaikwad@ext-crisil.com">Rutuja.Gaikwad@ext-crisil.com</a>	ARUN KUMAR Senior Rating Analyst <b>CRISIL Ratings Limited</b> B: +91 44 6656 3100 <a href="mailto:ARUN.KUMAR1@crisil.com">ARUN.KUMAR1@crisil.com</a>	



**Note for Media:**

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

**About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)**

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit [www.crisilratings.com](http://www.crisilratings.com)

**About CRISIL Limited**

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

---

**CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com](http://www.crisil.com).

**DISCLAIMER**

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, [www.crisilratings.com](http://www.crisilratings.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, [www.crisilratings.com](http://www.crisilratings.com). For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at [crisilratingdesk@crisil.com](mailto:crisilratingdesk@crisil.com), or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>