

August 29, 2024

## Autocomp Corporation Panse Private Limited: Ratings reaffirmed, rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based/term Loans	47.71	148.00	[ICRA]A-(Stable); reaffirmed /assigned for enhanced limits
Long-term – Fund-based/cash credit	121.00	176.00	[ICRA]A-(Stable); reaffirmed /assigned for enhanced limits
Short-term – Non-fund-based facilities	60.00	75.00	[ICRA]A2+; reaffirmed/assigned for enhanced limits
Long-term – Unallocated limits	1.29	0.00	-
<b>Total</b>	<b>230.00</b>	<b>399.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings reaffirmation considers the steady business prospects of Autocomp Corporation Panse Private Limited (ACPPL or the company) as it reported a 26% YoY revenue growth in FY2024 (~38% YoY revenue growth in Q1 FY2025), aided by healthy volume offtake from key customers of the company. Further, new client acquisitions in the recent past have supported revenue growth as well as diversification for ACPPL, strengthening its business prospects. On the other hand, increasing share of exports provides geographic diversification as well for the company.

The ratings continue to draw comfort from the long and established track record of the promoters of ACPPL in the auto ancillary industry. In its operational track record spanning over three decades, ACPPL has developed established relationships with key original equipment manufacturers (OEMs) based in and around its manufacturing facilities in Pune, Pantnagar and Sanand, leading to sufficient revenue visibility for the company. ACPPL's healthy share of business for most of the components supplied to the OEMs highlights client stickiness. Further, segmental diversification through its presence in two-wheelers (2W), light commercial vehicles (LCV), passenger vehicles (PV), heavy trucks and tractors, augurs well for its operational stability, and safeguards ACPPL's business against any sector-specific slowdowns to an extent. The ratings also factor in ACPPL's healthy revenue growth momentum, backed by robust order book position reflected in a robust CAGR of 40% between FY2021 and FY2024.

The ratings are constrained by the sizeable debt-funded capex towards capacity addition lined up over the near term (~Rs. 120 crore outlay for FY2025), which is likely to have a bearing on ACPPL's capital structure over the near to medium term. ICRA expects the total debt/OPBITDA to moderate to 2.8-3.0 times in FY2025. However, ICRA notes the capacity expansion to meet the higher demand estimates from the OEMs, and the increased scale will bring in economic benefits to the operating margin over the longer term. While the capacity addition would largely cater to the requirements of its existing clients, and there is sufficient revenue visibility for the same, the company's ability to ramp-up these facilities in a timely manner without impacting return indicators and credit metrics materially would remain a key monitorable.

The rating strengths are partially offset by the exposure of ACPPL's revenue profile to the inherent cyclicity in the domestic automotive industry, from which it derives 75-80% of its revenues. Any sizeable and sustained downturn in the domestic automotive industry could, therefore, have an impact on ACPPL's business operations. ACPPL is also exposed to moderate customer concentration risks, with its top three customers accounting for ~56% of its sales in FY2024. Further, the high competitive intensity in ACPPL's business segments (supply of sheet metal components) results in restricted pricing flexibility

resulting in a modest operating profitability over the years. However, the company's focus on providing design solutions to OEMs and become a one-stop solution provider is expected to bode well for margin improvement, albeit over a longer term.

The Stable outlook reflects ICRA's expectations that ACPPL will continue to demonstrate a steady operational performance aided by well-established relations and its organic growth plans, going forward.

## Key rating drivers and their description

### Credit strengths

**Long and established track record of promoters in the auto ancillary industry** – Having established ACPPL in 1983, its promoters have a long and established track record in the auto ancillary industry. This has supported the company in forging healthy relationships with its clients and adding reputed names to its clientele in the recent past.

**Healthy revenue growth momentum supported by robust order book position** – ACPPL reported a healthy revenue growth momentum in the recent past, aided by steady operational performance of its key clients and further supported by new client addition and increasing revenue share from exports. The revenues expanded at CAGR of 40% between FY2021 and FY2024. The company continued its momentum in the present fiscal as well, with ~38% YoY revenue growth in Q1 FY2025, which is expected to aid in margin expansion, going forward.

**Established relationships with key OEMs; healthy share of business in most components supplied by the company** – Given its long operational track record, ACPPL has developed strong relationships with key OEMs across sectors, with repeat orders from its clientele supporting its business prospects. Further, the healthy share of business for the components and models that it supplies, offers comfort regarding its positioning with its client OEMs and revenue visibility. High tooling costs required towards new product development act as an entry barrier for other players/entrants in this industry.

**Diversified business profile with presence across multiple automotive segments** – ACPPL demonstrates healthy segmental diversification with its presence in multiple automotive sectors—viz., PVs, LCVs, heavy trucks, 2Ws and tractors, among others. This mitigates ACPPL's business against any sector-specific risks impacting any auto segment. The company is also focussing on augmenting its capabilities and customer portfolio further to improve its diversification.

### Credit challenges

**Revenue profile exposed to cyclical nature inherent in auto industry** – Given the dependence of ACPPL on the auto sector, its business performance is closely linked with the performance of the sector in general. Many of the segments within the industry show an inherent cyclical nature in demand, exposing ACPPL's revenues and earnings to volatility, in line with the industry trend. Further, any substantial slowdown in the auto industry could have a severe impact on the business operations of ACPPL. Nevertheless, the company's efforts to diversify across segments, and towards exports, helps mitigate these risks to some extent. Further, presence in non-automotive product offerings, although limited at present, provides ACPPL with some comfort against volatility associated with the automotive sector.

**High competitive intensity resulting in restricted pricing flexibility** – The sheet metal component business is characterised by high competitive intensity in the industry that restricts ACPPL's pricing flexibility to an extent. However, ACPPL's profitability is expected to be supported by efforts to enhance its capabilities including complete engineering solutions, which is expected to pan out over the medium to long term.

**Business operations vulnerable to performance of principal OEMs with moderate customer concentration risk** – With the company supplying various sheet metal components to its key customers, such as TML, Mahindra & Mahindra Limited (M&M), Jaguar Land Rover (JLR) and Bajaj Auto Limited (BAL), ACPPL's business performance is closely linked with the performance of these OEMs. Further, the company remains exposed to moderate customer concentration risk, with its top three customers driving ~56% of its revenues in FY2024. However, ACPPL's established relationships with its key customers provide some comfort against this risk.

**Sizeable debt-funded capex over the near term likely to have a bearing on capital structure** – ACPPL incurred significant capex (~Rs. 90 crore) in FY2023-FY2024 towards setting up new manufacturing facilities at Sanand (Gujarat) and Chakan (Maharashtra). Capex outlay for the near term also remains substantial, with ACPPL expected to incur ~Rs. 120 crore in FY2025, mainly towards expanding its manufacturing facility at Sanand, and adding capacities across other plants in Maharashtra and Uttarakhand. As a major portion of proposed capex would be funded through bank borrowings, the same is expected to have a bearing on ACPPL’s capital structure over the near to medium term. ICRA expects the total debt/OPBITDA to moderate to 2.8-3.0 times in FY2025. While the capacity addition would largely cater to the requirements of its existing clients, and there is sufficient revenue visibility for the same, the company’s ability to ramp-up these facilities in a timely manner without impacting return indicators and credit metrics materially would remain a key monitorable.

### Liquidity position: Adequate

The company’s liquidity position is adequate, supported by cash and liquid investments of ~Rs. 105 crore and sufficient buffer in the form of undrawn working capital limits, which stood at ~Rs. 36 crore as on March 31, 2024. The cash flow generation is also expected to remain comfortable at Rs. 30-40 crore per annum over the medium term. Against these, the annual debt repayment quantum remains moderate at ~Rs. 20 crore for FY2025, and Rs. 30-35 crore per annum over the medium term. Capex outlay, while sizeable at ~Rs. 120 crore for FY2025, would be funded through a mix of internal accruals and bank borrowings.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded if the entity’s margins improve, while continuing to expand its operations and maintaining a comfortable balance sheet and credit metrics.

**Negative factors** – The ratings could be downgraded in case of considerable decline in the revenue base of the entity, or if deterioration in margins adversely impacts the key credit metrics (interest coverage falling below 4.0 times, on a sustained basis). Moreover, any large debt-funded capex or stretch in working capital cycle that weakens the liquidity profile may necessitate a negative rating action.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Auto Components</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of ACPPL.

### About the company

ACPPL, established in 1983 and based out of Pune, Maharashtra, manufactures sheet metal components for OEMs such as TML, M&M, JLR and BAL, among others, for diversified automotive segments such as PVs, 2Ws, LCVs, heavy trucks and tractors. Chassis components, assembly parts, tubular structures, etc, are a few of its key product offerings. It was established as a proprietorship company in 1983 and subsequently converted to a private limited company in 2006. The company currently has manufacturing units in Chakan (Maharashtra), Pantnagar (Uttarakhand) and Sanand (Gujarat).

### Key financial indicators

ACPPL - Standalone	FY2022 Audited	FY2023 Audited	FY2024 Provisional
<b>Operating Income (Rs. crore)</b>	739.1	1,036.2	1,301.2
<b>PAT (Rs. crore)</b>	19.7	29.8	46.9
<b>OPBDIT/OI (%)</b>	6.5%	6.0%	6.4%
<b>PAT/OI (%)</b>	2.7%	2.9%	3.6%
<b>Total Outside Liabilities/Tangible Net Worth (times)</b>	2.0	1.8	2.5
<b>Total Debt/OPBDIT (times)</b>	2.7	2.1	3.0
<b>Interest Coverage (times)</b>	5.5	6.5	5.8

*PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

*Source: ACPPL, ICRA Research*

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

	Instrument	Current Rating (FY2025)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
				August 29, 2024	May 29, 2023	-	February 25, 2022	
1	Term Loan	Long-Term	148.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	[ICRA]BBB+ (Stable)	
2	Working Capital Facilities	Long-Term	176.00	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	[ICRA]BBB+ (Stable)	
3	Non-Fund Based Limits	Short-Term	75.00	[ICRA]A2+	[ICRA]A2+	-	[ICRA]A2	
4	Unallocated Limits	Long-Term	0.00	-	[ICRA]A- (Stable)	-	[ICRA]BBB+ (Stable)	

Source: Company

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Working Capital Facilities	Simple
Non-Fund Based Limits	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

**Annexure-1: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Term Loans	Dec-2021	NA	Dec-2028	64.00	[ICRA]A-(Stable)
NA	Proposed Term Loans	NA	NA	NA	84.00	[ICRA]A-(Stable)
NA	Cash Credit	NA	NA	NA	176.00	[ICRA]A-(Stable)
NA	Short Term – Non Fund Based Facilities	NA	NA	NA	75.00	[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure-2: List of entities considered for consolidated analysis: Not applicable**

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