

Reliable Autotech Private Limited

Instrument	Amount	Rating Action
Term loans and corporate loans (existing)	Rs. 73.97 crore (revised from Rs. 85.77 crore)	[ICRA]BBB- (Stable) reaffirmed
Term loans (fresh)	Rs. 15.00 crore	[ICRA]BBB- (Stable) assigned
Long-term, fund based working capital facilities	Rs. 35.00 crore	[ICRA]BBB- (Stable) reaffirmed
Short-term, fund based working capital facilities	(Rs. 15.00 crore)*	[ICRA]A3 reaffirmed
Short-term, non-fund based working capital facilities	Rs. 20.98 crore (enhanced from Rs. 20.89 crore)	[ICRA]A3 reaffirmed

* Interchangeable with the fund based working capital facilities of Rs. 35.00 crore, rated on the long-term scale

ICRA has reaffirmed the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) assigned to the Rs. 73.97 crore (revised from Rs. 85.77 crore)¹ term loans and the Rs. 35.00 crore long-term, fund based working capital facilities of Reliable Autotech Private Limited ('RAPL' or 'the company')². ICRA has also assigned a long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 15.00 crore fresh term loans of the company. ICRA has also reaffirmed the short-term rating of [ICRA]A3 (pronounced ICRA A three) assigned to the Rs. 15.00 crore short-term, fund-based working capital facilities³ and the Rs. 20.98 crore (enhanced from Rs. 20.89 crore) short-term, non-fund based working capital facilities of the company. The outlook on the long-term rating is 'stable'.

The reaffirmation of the ratings favourably factors in the promoters' extensive experience in the auto ancillary industry, the reputed clientele spanning both the passenger or utility vehicles and the tractor segments, the established tools and dies designing and manufacturing facility aiding in customer acquisition, and the ramp up in production, as per plan, at the Sanand facility. The Sanand facility, upon further stabilisation, is expected to support the revenue growth, going forward. The ratings also factor in the diversification of the customer base as evidenced by the reduction in dependence on its largest customer (contributed to 30% of RAPL's FY2016 revenues as against 39% in FY2015) with whom the company enjoys an established relationship, and the addition of new customers over the past two years. The company also enjoys sizeable government (central as well as state) incentives aiding cash flows.

However, the revenue decline over the past two years and the resulting cost inefficiencies have weakened the credit metrics and remain a concern. Loss/reduction of business from couple of customers coupled with weak demand sentiments in the domestic auto and farm equipment sectors have resulted in revenue de-growth over the past two years. This apart, the ratings are constrained by susceptibility of the business to the volatility in raw material prices and foreign exchange, and the moderate financial profile of the company characterised by subdued profitability, and moderate capital structure and debt coverage indicators. Further, ICRA takes note of the impending exit to be provided to the private equity (PE) investor. While the company continues to explore secondary investor options, any buyback of the investor's 17.61% stake in the company shall stretch the capital structure and cash flow position of the company, given that the company already has sizeable debt repayment obligations over the next four years. This is a key rating sensitivity and a buyback of the investor's stake, without a commensurate equity infusion, shall lead to a rating downgrade. ICRA shall monitor this event closely.

Company Profile

Reliable Autotech Private Limited ('RAPL' or 'the company') is an auto component manufacturer and was incorporated in 1996 by Mr. Rajendra Bagwe, Mr. Devendra Bapat and Mr. Amol Chitnis. The promoters are in the auto component business since 1985. RAPL manufactures heavy pressed (sheet metal) parts,

¹ Rs. 100 lakh = Rs. 1 crore = Rs. 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

³ Interchangeable with long-term fund based working capital limits of Rs. 35.00 crore mentioned above



components/ sub-assemblies, and tools and dies for the automotive sector. Utility vehicles (UVs) and tractors (farm equipments) are, currently, the key target segments for the company. The company has three manufacturing facilities in Nashik, one in Pune, one in Sanand (Gujarat; new facility – commenced operations in September 2014) and a rented start up facility in Chennai. The company’s customers include Mahindra & Mahindra (M&M), John Deere Group, Benteler Automotive India, Volkswagen India, Renault Nissan India and Cosma International India. RAPL is ISO/TS 16949:2009, EMS-ISO 14001:2004, OHSAS 18001:2007 and ISO 9001:2008 certified.

In 2014, RAPL acquired J G Fabrication, a Chenoa - IL - USA based supplier of fabrication components to Caterpillar Inc, a Peoria - IL based construction equipment manufacturer. J G Fabrication has been renamed as Reliable Autotech USA, LLC and is currently a 75% subsidiary of RAPL.

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