

Climax Overseas Private Limited

February 25, 2021

Ratings

| Facilities / Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|--|--|--|--|
| Long Term Bank Facilities | 1.00 | CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable) |
| Long Term Bank Facilities | 0.75 | CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; (Double B Minus); Stable outlook assigned |
| Long Term / Short Term Bank Facilities | 0.25 | CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable/ A Four; ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable /CARE A4; (Double B Minus ;Outlook: Stable /A Four) |
| Short Term Bank Facilities | 25.00 | CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total Facilities | 27.00 (Rs. Twenty-Seven Crore Only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 28, 2020 placed the ratings of Climax Overseas Private Limited (COPL) under the 'issuer non-cooperating' category as COPL had failed to provide information for monitoring of the rating. COPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated January 29, 2021, February 01, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further banker could not be contacted.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by COPL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Further, the ratings continue to remain constrained owing by modest though growing scale of operations, elongated collection period and modest liquidity indicators and Presence in competitive industry. The ratings, however, continue to take comfort from experienced management, association with reputed customer base and moderate profitability margins, capital structure and coverage indicators.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Detailed description of the key rating drivers

At the time of last rating on January 28, 2020 the following were the rating weaknesses and strengths:

Detailed description of the key rating drivers**Key Rating Weaknesses****Modest though growing scale of operations**

The scale of operations remained modest marked by a total operating income and gross cash accruals of Rs.77.46 crore and Rs.4.96 crore respectively during FY19 (FY refers to the period April 1 to March 31). The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously. For the period FY17- FY19, COPL's total operating income grew from Rs 66.54 crore in FY17 to Rs 77.46 crore in FY19 reflecting a compounded annual growth rate (CAGR) of 5.42% owing to increase in quantity sold.

Elongated collection period and modest liquidity indicators

The collection period of the company remained elongated at 172 days for FY19. The company normally allows a credit period of 5-6 months due to competitive nature of industry and low bargaining power with the customers. Also, the company also caters to the after- market segment wherein the money is realized with significant time lag. The company primarily maintains inventory mainly in form of raw material to ensure the smooth functioning of operations and the company also keeps inventory in the form of finished goods to meet the demands of its customers which leads to the average inventory holding days of around 2 months. Further, it receives an average credit period of around 3 months from its suppliers. Further, the liquidity indicators of the company stood modest as marked by current ratio and quick ratio of 1.30x and 1.01x respectively for FY19.

Presence in competitive industry

COPL operates in a competitive industry, wherein there is the presence of a large number of small and mid-size players catering to the same market segment. This is due to the low initial capital expenditure requirement to enter into the market. The high competition restricts the pricing flexibility and bargaining power of the company

Key Rating Strengths**Experienced management**

COPL was established in 2001 and has been operational for more than one and a half decade in manufacturing and supply of automotive components & assemblies. The company is currently being managed by Mr Parmeet Singh Sood and Mrs Aveen Kaur Sood. Both of them are post graduates by qualification. Mr Parmeet has been associated with the automobile industry for nearly two decades. Mrs. Aveen Kaur Sood has an experience of more than a decade in administration and HRD functions of the company. Moreover, the company is supported by team of professionals having requisite experienced looking after the day to day operations of the company.

Association with reputed customer base

The COPL has been in to the automotive parts manufacturing business for around three decades and has established relationship with numerous reputed OEMs and aftermarket customers. Moreover, the company has been getting the repetitive orders from its customers. Association with reputed customers ensures the quality of products sold by the company and results in higher revenue visibility and increased presence in the market.

Moderate profitability margins, capital structure and coverage indicators

The profitability margins of the company marked by PBILDT and PAT remained moderate for the past three financial years FY17-FY19 mainly on account of customized nature of product manufactured coupled with quality maintenance. PBILDT and PAT margin stood at 11.55% and 4.01% for FY19 as against 11.82% and 4.00% respectively for FY18. The decline in PAT margin was mainly on account of higher interest cost expense during the year. The capital structure of the company remained comfortable as on past three balance sheet dates, i.e., March 31, '17 – '19 on account of satisfactory net worth base against the debt levels. The capital structure marked by overall gearing stood at 1.21x as on March 31, 2019 as against 0.94x as on March 31, 2018 owing to accretion of profits to reserves. Further, the coverage indicators marked by interest coverage ratio and total debt to GCA remained moderate for the past three financial years i.e. FY17-FY19 owing to moderate profitability levels. Interest coverage and total debt to GCA stood at 2.68x and 6.04x respectively for FY19.

Analytical Approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[CARE's methodology for manufacturing companies](#)
[Financial ratios – Non-Financial Sector](#)
[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Haryana based Climax Overseas Private Limited (COPL) was incorporated in 1994. The company is currently being managed by Mr Prameet Singh Sood and Mrs Aveen Kaur Sood. COPL is engaged into manufacturing of rubber, plastic and sheet metal components such as valve stem, valve cover gaskets, filters, engine mounts, etc. COPL has an installed capacity to manufacturing ~5000 Tons of rubber components per annum from its manufacturing unit located in Manesar, Haryana. The major raw material required for manufacturing of components are rubber, plastic and sheet metal which it procures from domestic and international suppliers. The company caters to various OEM's and other manufacturing companies in the field of automobile, power transmission & distribution, white goods, defense and aviation industry etc.

Non BFSI

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income | 73.17 | 77.46 |
| PBILDT | 8.65 | 8.95 |
| PAT | 2.93 | 3.11 |
| Overall gearing (times) | 0.94 | 1.21 |
| Interest coverage (times) | 3.16 | 2.68 |

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--|------------------|-------------|---------------|-------------------------------|--|
| Fund-based - LT-Cash Credit | - | - | - | 1.00 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - LT/ ST-Bank Guarantees | - | - | - | 0.25 | CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Letter of credit | - | - | - | 6.00 | CARE A4; ISSUER NOT COOPERATING* |
| Fund-based-Short Term | - | - | - | 15.50 | CARE A4; ISSUER NOT COOPERATING* |
| Fund-based - LT-Proposed fund based limits | - | - | - | 0.75 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Fund-based-Short Term | - | - | - | 2.00 | CARE A4; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Proposed non fund based limits | - | - | - | 1.50 | CARE A4; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|--|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1. | Fund-based - LT-Cash Credit | LT | 1.00 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable; ISSUER NOT COOPERATING* (28-Jan-20) | 1)CARE BB+; Stable (28-Dec-18) | 1)CARE BB+; Stable (19-Dec-17) |
| 2. | Non-fund-based - LT/ ST-Bank Guarantees | LT/ST | 0.25 | CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (28-Jan-20) | 1)CARE BB+; Stable / CARE A4+ (28-Dec-18) | 1)CARE BB+; Stable / CARE A4+ (19-Dec-17) |
| 3. | Non-fund-based - ST-Letter of credit | ST | 6.00 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4; ISSUER NOT COOPERATING* (28-Jan-20) | 1)CARE A4+ (28-Dec-18) | 1)CARE A4+ (19-Dec-17) |
| 4. | Fund-based-Short Term | ST | 15.50 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4; ISSUER NOT COOPERATING* (28-Jan-20) | 1)CARE A4+ (28-Dec-18) | 1)CARE A4+ (19-Dec-17) |
| 5. | Non-fund-based-Short Term | - | - | - | - | - | - | - |
| 6. | Fund-based - LT-Proposed fund based limits | LT | 0.75 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; ISSUER NOT COOPERATING* (28-Jan-20) | 1)CARE BB+; Stable (28-Dec-18) | - |
| 7. | Fund-based-Short Term | ST | 2.00 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4; ISSUER NOT COOPERATING* (28-Jan-20) | 1)CARE A4+ (28-Dec-18) | - |
| 8. | Non-fund-based - ST-Proposed non fund based limits | ST | 1.50 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4; ISSUER NOT COOPERATING* (28-Jan-20) | 1)CARE A4+ (28-Dec-18) | - |

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--|------------------|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Fund-based - LT-Proposed fund based limits | Simple |
| 3. | Fund-based-Short Term | Simple |
| 4. | Non-fund-based - LT/ ST-Bank Guarantees | Simple |
| 5. | Non-fund-based - ST-Letter of credit | Simple |
| 6. | Non-fund-based - ST-Proposed non fund based limits | Simple |

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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