APRIL 19, 2016

CARE ASSIGNS 'CARE BBB+/CARE A3+' RATINGS TO THE BANK FACILITIES OF CRAFTSMAN AUTOMATION PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	580.88	CARE BBB+ (Triple B Plus)	Assigned
Short-term Bank Facilities	158.00	CARE A3+ (A Three Plus)	Assigned
Total Facilities	**738.88 (Rupees Seven Thirty Eight crore and Eighty Eight lakh only)**		

Rating Rationale

The ratings assigned to the bank facilities of Craftsman Automation Private Limited (CAPL) derive strength from the vast experience of the promoter of CAPL, long operational track record of more than two decades in engineering contract manufacturing business, diversified business profile catering to various industries, strong business association with reputed OEM's, strategic location of manufacturing facilities and financial risk profile marked by growth in operating income & stable profit margins.

The ratings are, however, constrained by frequent capital expenditure supported by debt funding leading to moderate capital structure and liquidity ratios, susceptibility of profitability to volatile raw material prices, exposure to foreign exchange risk, working capital intensive nature of operations and cyclical nature of auto industry.

Going forward, the ability of CAPL to increase its scale of operations by effectively utilizing its capacities, maintain its profit margins and improve the capital structure would remain the key rating sensitivities.

Background

CAPL was incorporated in 1986 by Mr S. Ravi (Managing Director) a first-generation entrepreneur from Coimbatore, Tamil Nadu. CAPL started out as an export focused company catering to the high end machining needs of the engineering sector (farm equipment, windmill, industrial) and over a period of time moved towards meeting the machining needs of the automobile industry and today has a diversified client profile across companies in both auto and engineering sector. In auto business, the company machines a wide variety of products including cylinder block and cylinder head for commercial vehicles (CV), Sports Utility Vehicle (SUV), precision engineering products for aero and space applications etc. CAPL recently established a non-ferrous sand foundry catering to the requirements of power transmission equipment manufacturers, while its pressure die casting unit supplies components to two wheeler manufacturers.

Over a period, the company has also developed its own products in material handling, marine engine, industrial gear boxes, transmission & hydraulic parts, sub-assemblies, storage systems, sheet metal equipment. CAPL has also developed capabilities for design and manufacture of special purpose machine tools, jigs, fixtures etc. for its captive purposes and external customers. CAPL also has tool room and mould base which besides catering to in-house requirements also services external customers. The company has now moved into locomotive segment and is developing cylinder linings for the railways, which is expected to be a new business line in the coming years. During this journey, CAPL has added a large

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

fixed asset base spread across 11 locations consisting of wide variety of general purpose machine tools the latest being pressure die casting unit and an aluminum foundry. CAPL's Coimbatore unit is the largest and is engaged in production of both automobile & non-automobile components contributing around 62% of total income. During FY15 (refers to the period April 1 to March 31), CAPL derived 38% revenue from machining charges, 39% from domestic sales and 23% from export sales catering to both automobile and non-automobile sector. The manufacturing facilities of CAPL have installed strong quality systems and are certified with ISO/TS 16949:2009, ISO 9001:2008.

The company has attracted equity investments from reputed investors like International Finance Corporation -IFC (holding 14.06% as on March 31, 2015) and Standard Chartered Private Equity (Mauritius) Limited (holding 15.50% as on March 31, 2015).

CAPL has two wholly-owned subsidiaries in the style of M/s Craftsman Marine B.V, Netherlands engaged in sale of marine products and M/s Craftsman Automation Singapore Pte Limited engaged in marketing for CAPL.

CAPL has two Joint Ventures namely M/s MC Craftsman Machinery Private Limited (10% held by CAPL) along with Mitsubishi Corporation, Japan engaged in sales and service of industrial machineries in India and M/s Carl Stahl Craftsman Enterprises Private Limited (30% held by CAPL) along with Carl Stahl, Germany engaged in manufacture, sales and service of lifting equipment like hoists, cranes, etc.

During FY15 (refers to the period April 1 to March 31), the company reported a PAT of Rs.52.54 crore on a total income of Rs.775.50 crore.

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