

Craftsman Automation Limited

March 28, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable and Withdrawn
Short-term Bank Facilities	-	-	Reaffirmed at CARE A2 and Withdrawn
Total Facilities	-		

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reaffirmed the ratings CARE BBB+; Stable/ CARE A2 assigned to the bank facilities of Craftsman Automation Limited and withdrawn the same with immediate effect. The withdrawal in rating is at the request of CAL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Strengths

Vast experience of the promoter & long operational track record of more than three decades: Mr S Ravi, Managing Director is a mechanical engineering graduate with over three decades of experience. CAPL has diversified the business into various business/product segments under the leadership of Mr Ravi.

Diversified business profile catering to various industries: CAL caters to the needs of various industries such as commercial vehicle, farm equipment, construction equipment, sports utility vehicles, two wheelers, power transmission switch gear, textile, packaging & printing machinery, marine, material handling, pumps & valves, industrial gears & gear boxes, mould base, plastic injection moulding, industrial storage diesel locomotive, special purpose machines etc.

Strong business association with a diverse set of reputed OEM's: CAPL has developed strong relationships with large OEMs in both the domestic and international markets and at present possess a clientele base of over 20 OEMs including Tata Motors Group, Mahindra & Mahindra, Ashok Leyland, Daimler India Commercial Vehicles, Eicher Motors Limited, TVS Motors, Nissan Motors, Caterpillar etc.

Growth in operating income: During FY19 the operating income of CAL witnessed a growth of 23% from Rs.1485 crore in FY18 to Rs.1821 crore in FY19. The PBILDT margins also improved from 19.53% in FY18 to 23.42% in FY19 on the back of improved sales from machining and better margin due to high volumes.

Key Rating Weaknesses

Moderate capital structure due to frequent capital expenditure supported by debt funding: CAL business is capital intensive and has been incurring largely debt funded capital expenditure in the recent past leading to a moderate capital structure as reflected by an overall gearing of 1.49x as on March 31, 2019 (PY:1.41x).

Liquidity- Adequate: Liquidity is adequate marked by sufficient accruals and a cash balance of Rs. 18.24 crore as on March 31, 2019. The operations of CAPL are working capital intensive in nature with the need to maintain consumable stores & machinery spares which constitutes nearly 50% of the inventory. The current ratio was low at 0.74x (PY: 0.65x) as on March 31, 2019 on account of the frequent capital expenditure and margin contribution towards the same.

Cyclical nature of the auto industry: The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the interest rates and fuel prices. The Indian auto components industry is ancillary to the automobile industry. Demand swings in any of the auto segments (Commercial vehicles, cars, two-wheelers) have an impact on the auto ancillary demand.

Analytical approach: Standalone

Applicable criteria

Policy on Withdrawal of ratings

CARE's Policy on Default Recognition

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

CARE's Criteria on assigning Outlook and credit watch to Credit Ratings

Financial ratios –Non-Financial Sector

CARE's methodology for manufacturing companies

Criteria for Short-term Instruments

Rating Methodology - Auto Ancillary Companies

About the Company

CAL was incorporated in 1986 by Mr S Ravi (Chairman & Managing Director) a first-generation entrepreneur from Coimbatore, Tamil Nadu. The business CAL consists of three main segments viz. Automotive Power Train, Automotive - Aluminium Products and Industrial and Engineering. The Automotive Power Train caters to the high-end machining needs of the commercial vehicle, farm equipment, mining and construction equipment and sports utility vehicle segments of the automobile industry and has a well-diversified client profile. The Automotive Aluminium segment supplies machined aluminium components to two and four wheeler manufacturers. The Industrial and Engineering segment has eight sub segments and caters to wide variety of customers.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	1,486.0	1821.87
PBILDT	290.2	426.71
PAT	32.1	94.18
Overall gearing (times)	1.41	1.49
Interest coverage (times)	2.66	3.26

A: Audited;

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for 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-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Fund-based - ST-Packing Credit in Indian rupee	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB+; Stable (11-Feb-19) 2)CARE BBB; Positive (06-Apr-18)	1)CARE BBB; Stable (05-May-17)	1)CARE BBB+ (19-Apr-16)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB+; Stable (11-Feb-19) 2)CARE BBB; Positive (06-Apr-18)	1)CARE BBB; Stable (05-May-17)	1)CARE BBB+ (19-Apr-16)
3.	Fund-based - ST-Packing Credit in Indian rupee	ST	-	-	-	1)CARE A2 (11-Feb-19) 2)CARE A3+ (06-Apr-18)	1)CARE A3+ (05-May-17)	1)CARE A3+ (19-Apr-16)
4.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A2 (11-Feb-19) 2)CARE A3+ (06-Apr-18)	1)CARE A3+ (05-May-17)	1)CARE A3+ (19-Apr-16)

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:

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