

Exedy India Limited

January 29 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	9.20	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	0.95	CARE A3+ (A Three Plus)	Reaffirmed
Total	10.15 (Rs. Ten crore and fifteen lakh only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Exedy India Limited (EIL) continue to factor in promoters' well-entrenched experience in auto clutch business, established business relationship with leading domestic Original Equipment Manufacturers (OEMs) along with a diversified client base and continued financial and technical assistance from the parent company (Exedy Corporation Japan).

The ratings strengths however continue to be constrained by EIL's fluctuating operating margin, stretched financial profile with weak debt coverage indicators and liquidity position mainly on account of subdued operational performance. Further, foreign exchange losses due to dependence on imports and absence of hedging mechanism also act as constraining factor.

Ability of EIL to manage working capital requirements and foreign currency risk efficiently along with timely infusion of equity funds from ECJ remain the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Strengths
Experienced promoters with strong parentage and technical assistance

EIL is a professionally managed company having an experience of more than three decades in the manufacturing and supply of auto clutches. ECJ has been a pioneer in manufacturing of clutches, operating through 41 affiliated companies in 23 countries worldwide.

Diversified client concentration risk

EIL has been able to get repeat orders from reputed OEMs viz. Maruti Suzuki India Ltd., Tata Motors Ltd., Toyota Kirloskar Motor Pvt. Ltd., Hero MotoCrop Ltd., etc. in domestic market on the basis of its long standing relationship with them. Over time, EIL has developed and expanded with well-established OEMs in domestic markets.

Key Rating Weakness
Stretched financial profile with weak coverage indicators albeit demonstrated support from ECJ

The company has negative net worth and reported losses for the year. However over the years, EIL has received continuous financial support from the promoters. The debt levels of EIL though on the higher side mainly comprise of External Commercial Borrowings (Rs.28.62cr) availed from parent-ECJ and Citibank loan (Rs.22.50cr) for which there is a corporate guarantee for an equivalent amount from ECJ. Due to reasons mentioned above and higher level of debt, debt coverage matrices were weak for the past three years.

Weak Liquidity Profile

The financial risk profile of the company continues to remain stretched with weak liquidity position. EIL operations are largely funded by its promoter ECJ in form of loans and flexible credit period towards purchases made by EIL which has resulted into the company having a negative working capital cycle.

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

However the company has moderate utilization of working capital limits at 50-60% for the period January 2018 to December 2018 and provides some liquidity back-up.

Foreign Exchange Fluctuation risk

The company imports its major raw materials from ECJ and other group companies to benefit from operational synergies with the parent company due to its worldwide presence. However, this exposes the company to foreign currency risk, given the presence of EIL only in Indian markets and absence of any active hedging mechanism by EIL.

Analytical approach: Standalone.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology-Auto Ancillaries](#)

[Factoring Linkages in Ratings](#)

About the Company

Incorporated in 1973, Exedy India Limited (EIL-erstwhile known as Ceekay Daikin Ltd) was primarily promoted by Mr. M.B. Kothari and Mr P.B. Chinai. In FY10, ECJ who was associated with EIL as (technical) collaborator since 1982, has gradually increased its stake in EIL over the years and EIL became the subsidiary of ECJ. After ECJ acquired substantial stake in EIL, it got unlisted from Bombay Stock Exchange in April 2012. As on March 31, 2018 ECJ held 73.27% equity stake and the Indian promoters hold 24.80% equity stake in EIL. The company is engaged in manufacturing of clutches for passenger vehicles (PV) and light commercial vehicles and two wheelers. EIL has two facilities at Noida and Aurangabad which is sub segmented into three products Clutch Plate Assembly, Clutch Cover Assembly and One Way Clutch.

Brief Financials	FY17 (A)	FY18 (A)
Total operating income	316.05	337.34
PBILDT	20.03	7.90
PAT	3.30	(5.16)
Overall gearing (times)	NM	NM
Interest coverage (times)	3.59	1.47

Status of non-cooperation with previous CRA: Not Applicable

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

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.

Analyst Contact

Name: Mr. Arunava Paul

Tel: 022-67543667

Email: arunava.paul@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	-	9.20	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	0.95	CARE A3+

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	9.20	CARE BBB-; Stable	1)CARE BBB-; Stable (06-Apr-18)	-	1)CARE BBB-; Stable (09-Mar-17) 2)CARE BBB- (12-Apr-16)	1)CARE BBB- (17-Apr-15)
2.	Non-fund-based - ST-BG/LC	ST	0.95	CARE A3+	1)CARE A3+ (06-Apr-18)	-	1)CARE A3+ (09-Mar-17) 2)CARE A3+ (12-Apr-16)	1)CARE A3+ (17-Apr-15)

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691