

Exedy India Limited

March 09, 2017

Ratings

| Facilities | Amount(Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|--|--|---------------|
| Long term Bank Facilities | 9.20 (reduced from Rs.13.10 cr) | CARE BBB-; Stable (Triple B Minus; Outlook: Stable) | Reaffirmed |
| Short term Bank Facilities | 0.95 (reduced from Rs.1.40 cr) | CARE A3+ (A Three Plus) | Reaffirmed |
| Total Facilities | 10.15(Rs. Ten crore and fifteen lakhs only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Exedy India Limited (EIL) continue to factor in promoter's well-entrenched experience in auto clutch business, established business relationship with leading domestic Original Equipment Manufacturers (OEMs) and continued financial support 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 alongwith timely infusion of equity funds from **ECJ** remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong experience of the promoters in auto clutch business

EIL is a professionally managed company having an experience of more than three decades in the manufacturing and supply of auto clutches. Exedy Corporation Japan (ECJ) is the majority shareholder with stake of 73.27%. ECJ have been pioneer in manufacturing of clutches, operating through 41 affiliated companies in 23 countries worldwide for more than 60 years. EIL has received technical assistance from ECJ since 1983, where ECJ provides a non-exclusive license to use technical information for manufacture and sale of clutch plate and clutch covers in India

Long standing relationship with reputed OEMs facilitating repetitive orders

EIL has been able to get repeat orders from reputed OEMs viz. Maruti Suzuki India Ltd (MSIL), TATA Motors Ltd (TML), Toyota Kirloskar Motor Pvt Ltd, Hero MotoCrop Ltd in domestic markets, on the basis of its long standing relationship with them. Over a period EIL has developed and expanded with well-established OEM's in domestic markets.

Key Rating Weaknesses

Stretched financial profile with weak liquidity

The financial risk profile of the company continues to remain stretched with weak liquidity position. The company has been incurring losses at the net level for the past several years leading to erosion of net worth. The liquidity profile of the company continues to remain weak on account of low cash accruals. However the company derives significant support from the parent on account of its flexible credit terms to its suppliers.

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

Foreign Exchange Fluctuation risk

The company imports its major raw materials from ECJ/ Exedy 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

Rating Methodology – Manufacturing Sector Companies

Financial Ratios-Non Financial Sector

Criteria for Short Term Instruments

Rating Methodology: 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, 2016 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.

For FY16 (refers to period April 1 to March 31) EIL reported total income of Rs. 321.25 crore and loss at the net level of Rs 6.56 Crore as compared with total income of Rs. 320.94 crore and loss at the net level of Rs. 4.13 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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.

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****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.

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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 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Fund-based - LT-Term Loan | LT | - | - | - | - | 1)Withdrawn (09-Apr-14) | 1)CARE BBB- (17-Apr-13) |
| 2. | Fund-based - LT-Cash Credit | LT | 9.20 | CARE BBB-; Stable | 1)CARE BBB- (12-Apr-16) | 1)CARE BBB- (17-Apr-15) | 1)CARE BBB- (09-Apr-14) | 1)CARE BBB- (17-Apr-13) |
| 3. | Non-fund-based - ST-BG/LC | ST | 0.95 | CARE A3+ | 1)CARE A3+ (12-Apr-16) | 1)CARE A3+ (17-Apr-15) | 1)CARE A3+ (09-Apr-14) | 1)CARE A3+ (17-Apr-13) |

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CIN - L67190MH1993PLC071691