

**Exedy India Ltd.**

April 06, 2018

**Ratings**

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

*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 four 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****Weak Liquidity Profile**

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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.

However the company has moderate utilization of working capital limits at 48.55% for the period January 2017 to December 2017 and provides 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, 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 subsegmented into three products Clutch Plate Assembly, Clutch Cover Assembly and One Way Clutch.

For FY17 (refers to period April 1 to March 31) EIL reported total income of Rs. 315.66 crore and profit at the net level of Rs 3.30 crore as compared with total income of Rs. 321.25 crore and loss at the net level of Rs. 6.56 crore in FY16.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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 (09-Mar-17)<br>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+ (09-Mar-17)<br>2)CARE A3+ (12-Apr-16)           | 1)CARE A3+ (17-Apr-15)                    |

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