January 31, 2023 (Revised)

NTF (India) Private Limited: [ICRA]BBB+ (Stable)/ [ICRA]A2 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based limits – Term loan	57.00	[ICRA]BBB+ (Stable); assigned
Long-term – Fund based limits – Cash Credit	100.00	[ICRA]BBB+ (Stable); assigned
Short-term – Non-fund based limits	54.00	[ICRA]A2; assigned
Long-term / Short-term – Unallocated	25.00	[ICRA]BBB+ (Stable)/[ICRA]A2; assigned
Total	**236.00**	

**Instrument details are provided in Annexure-1*

Rationale

The assigned ratings factor in NTF (India) Private Limited's (NTF) established business position and its promoter's extensive experience of more than three decades in the automotive components industry; and its long-standing relations with Maruti Suzuki India Limited (MSIL), the leading passenger vehicle (PV) original equipment manufacturers (OEM) in India. Over the years, NTF has set up sizeable manufacturing capacities across five states and a wide product portfolio. Leveraging on the same, it has developed a wide customer base, which apart from MSIL also includes other reputed OEMs such as Fiat India Automobile Private Limited (Fiat), MG Motors India Private Limited (MG Motors), Volkswagen India Private Limited (Volkswagen), and Toyota Kirloskar Motor Private Limited (TKM). Established relationships and healthy share of business with its key customers have resulted in repeat order inflow, driving NTF's revenue growth in recent years. The ratings also take into consideration NTF's adequate financial profile, as marked by steady revenue growth and internal accrual generation and moderate coverage metrics. NTF reported healthy revenue growth in FY2022 and 9M FY2023, after moderation in sales in the previous two fiscals due to the slowdown in the automotive industry, accentuated by the pandemic. Further, the growth momentum is expected to sustain in the near to medium term supported by healthy demand, addition of new customers and capacity expansion.

However, the ratings are constrained by NTF's relatively high leverage levels in recent years due to high working capital intensity of the business and debt-funded capex incurred towards capacity expansions. However healthy anticipated accrual generation and relatively lower debt-funded capex is expected to result in improvement in its leverage levels over the medium term. NTF remains exposed to high customer concentration risk as its top customer - MSIL, has accounted for 75-80% of its revenue in recent years. However, the same is mitigated to an extent due to the length of its relationship and healthy share of business with MSIL. Also given that most of the company's earnings are generated from the automotive sector, it remains susceptible to the competitive intensity and cyclicality inherent in the industry.

The Stable outlook on NTF's long-term rating reflects ICRA's opinion that the company will continue to benefit from its established business position, long standing relations with key customer and steady demand outlook for the PV industry.

Key rating drivers and their description

Credit strengths

Established track record in the automotive component industry – Incorporated in 1996, NTF has established itself as a prominent manufacturer of automotive components in the industry. This has been supported by its strong positioning with MSIL and other key OEMs, diverse product profile, established operational track record and sizeable manufacturing set up. The company has been promoted by the Jain family, who have an extensive experience of more than three decades in the business. NTF is a single-source leading supplier of engine undercover, parcel trays and luggage board with a vast presence across the country.

Customer base includes reputed OEMs – Over the years, NTF has developed a wide customer base of reputed OEMs in the domestic market such as MSIL, Fiat, Volkswagen, MG Motors, and TKM, among others. However, the company's revenues are largely driven by sales to MSIL. In the export segment, NTF has a customer base of Ashok Leyland UAE, GE Healthcare, Hispacold International and Toyota Saudi Arabia-ALJ Motors. Moreover, the company has maintained a healthy share of business with its key customers, which has supported revenue growth over the years.

Adequate financial risk profile – Over the years, the company has registered steady growth with revenue of Rs. 310 crore in FY2022, translating into 39% YoY growth supported by improved demand momentum, diversified product range, in-house design infrastructure, addition of customers and expansion into electric vehicles segment. Maintaining the momentum, it has already achieved revenue of ~Rs. 413 crore in 9M FY2023 (as per provisional financials). Coupled with stable operating margins in recent years, this is expected to result in higher internal accrual generation, strengthening the company's coverage metrics. NTF is likely to report healthy revenue growth and stable earnings profile in the near to medium term supported by steady demand and addition of new customers, which coupled with no material increase in debt levels is expected to continue to result in an adequate financial profile.

Credit challenges

Working capital intensive nature of operations – Given the wide variety of products manufactured with development of their associated dies/moulds and multiple manufacturing facilities, NTF's inventory levels remain high. Coupled with a receivable cycle of up to two months, this has led to relatively high working capital intensity with NWC/OI[1] of ~40% in FY2022. The funding requirements are met through credit of up to two months from its vendors and availment of working capital lines from the bank. Incremental funding requirements of the business emanating from healthy anticipated growth in the current fiscal are expected to be funded through internal accruals and sanctioned working capital lines.

High leverage levels; but declined in recent years and expected to improve further over the medium term – High working capital intensity of the business has kept reliance on debt relatively high. Coupled with debt-funded capex incurred towards capacity expansions, this has continued to result in high leverage with gearing of 2.2 times and TOL/TNW of 3.0 times as on March 31, 2022. However, the leverage levels have declined in recent years and are expected to improve further over the medium term.

High concentration risk with top customer accounting for ~80% of sales – NTF faces high customer client concentration risk with its top customer, MSIL driving ~80% of its revenue in recent years. The company's business performance is thus vulnerable to the performance and market share of its key client. However, in view of the healthy market share of MSIL in the PV segment, the risk is mitigated to a large extent. Additionally, with addition of new customers and increased supplies to electric vehicles, railways and agriculture segment, the reliance on top customer is expected to reduce to some extent over the medium term.

Exposure to cyclicality in the auto sector with PV segment driving large share of revenues – NTF derives majority of its revenue from the automotive sector, mainly PV segment, thereby exposing it to competitive intensity and inherent cyclicality

[1] *Net working capital/ Operating income*

in the auto industry. In recent years, the company diversified into non-PV segments such as agriculture, railways and wind-mills; however, the contribution from the same is fairly low as of now.

Liquidity position: Adequate

NTF's liquidity position is **adequate** supported by steady internal accrual generation and unencumbered cash/bank balances of ~Rs. 2.6 crore as of September 2022. Moreover, NTF has also been sanctioned additional working capital limits of Rs. 20 crore from Axis Bank, supporting the liquidity position further. The company has relatively high debt repayment obligations over FY2023 and FY2024; however, its internal accrual generation is expected to be more than sufficient to service the same. ICRA has also taken note of NTF's plans to raise equity from external investors, which once materialized, is likely to strengthen the company's credit profile. Even if the equity raising plans are deferred, the company has a sanction of a long-term loan of Rs. 30 crore with a moratorium of 18 months in place from Axis Bank and can be availed if required. If availed, this will support the liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade NTF's ratings if the company reports healthy revenue growth and internal accrual generation, resulting in strengthening of its debt protection metrics and liquidity profile. Specific credit metrics that could lead to a rating upgrade include Total Debt/OPBDITA of less than 2.3 times on a sustained basis.

Negative factors – Negative pressure on NTF's ratings could arise if considerable decline in internal accrual generation, significant debt-funded capex or deterioration in working capital cycle, result in weakening of the company's credit metrics and liquidity position**.**

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Suppliers
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of NTF.

About the company

Incorporated in 1996, NTF is involved in manufacturing plastic components, as well as exterior and interior auto components for leading automotive OEMs in India. The company has been promoted by the Jain family, who have an extensive experience of more than three decades in the business. NTF's manufacturing units are located in five states in India, namely, Haryana (Manesar), Maharashtra (Pune), Rajasthan (Neemrana), Gujarat (Sanand) and Karnataka (Bangalore).

Key financial indicators (audited)

NTF – Standalone	FY2021	FY2022
Operating income (Rs. crore)	267.7	370.8
PAT (Rs. crore)	2.5	12.6
OPBDITA/OI	14.4%	13.7%
PAT/OI	0.9%	3.4%
Total outside liabilities/Tangible net worth (times)	3.1	3.0
Total debt/OPBDITA (times)	5.9	4.2
Interest coverage (times)	1.7	2.1

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Jan 31, 2023	-	-	-
1	Unallocated	Long-term/ Short-term	25.00	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-
2	Fund-based – Term Loan	Long-term	57.00	37.00	[ICRA]BBB+ (Stable)	-	-	-
3	Fund-based – Cash Credit	Long-term	100.00	-	[ICRA]BBB+ (Stable)	-	-	-
4	Non-fund based – LC/BG	Short-term	54.00	-	[ICRA]A2	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Unallocated limits	NA
Long-term – Fund based limits – Term loan	Simple
Long-term – Fund based limits – Cash Credit	Simple
Short-term – Non-fund based limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loans**	FY2015-FY2020	1-year MCLR + 1.40%	FY2023-FY2027	27.00	[ICRA]BBB+ (Stable)
NA	**Term Loans – Proposed**	-	-	-	30.00	[ICRA]BBB+ (Stable)
NA	**Cash Credit**	-	-	-	100.00	[ICRA]BBB+ (Stable)
NA	**LC/BG**	-	-	-	54.00	[ICRA]A2
NA	**Unallocated**	-	-	-	25.00	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

Corrigendum

Document dated January 31, 2023, has been corrected with revisions as per below:

- Revision on Page 4: In the Key Financial Indicators table, Total Debt/OPBITDA (times) for FY2021 and FY2022 has been corrected.

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