

MARCH 10, 2015

CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF LAVA CAST PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	117.05	CARE BBB- (Triple B Minus)	Assigned
Total Facilities	117.05		

Rating Rationale

The rating assigned to the bank facilities of Lava Cast Private Limited (LCPL) takes into account the operational synergies derived from the capability, technological expertise and experience of the promoters; achievement of financial closure and availability of majority approvals in place for execution of the Greenfield manufacturing unit. The future prospects are supported by a gradual improvement in auto industry and concomitant traction expected in its niche product off take post commissioning of the manufacturing facility. The aforementioned ratings strengths are, however, partially offset by the risks associated with the on-going debt-funded capex, restricted visibility of clientele in the absence of any confirmed orders and cyclical nature of auto industry; all of which have a bearing on the prospects and debt servicing indicators of LCPL. Going forward, the effective execution and scale-up of the production capacity, containment of financial leverage, sustainability of profitability at the envisaged levels and the geographical diversification into foreign markets will be the key rating sensitivities.

Background

LCPL belongs to 'Setco Group' and is engaged in the developing and manufacturing of fully machined ferrous casting products for the automotive and other industries. The LCPL foundry will be setup at Kalol (PMS), Gujarat, adjacent to the current clutch manufacturing operations of Setco Automotive Ltd [SAL rated CARE BBB/ CARE A3]. LCPL was formed as a Joint Venture between SAL and Lingotes Especiales S.A. in the ratio of 80:20 (Equity Capital) and was set up in May, 2011. It is a backward integration project of SAL for the manufacturing of Automotive Grade Castings. The foundry will be combined with machine shop to enable the production and delivery of fully machined castings. It is planned to set up an installed manufacturing capacity of the foundry of about 36,000 Tons per annum out of which 29,000 Tons per annum will be achievable at optimum levels. The manufacturing facility is being set up with technology being provided by M/s Lingotes Especiales, Spain. The proposed foundry is slated to commence commercial production in May, 2015. The estimated cost of the project is Rs.156.73 crore which is being funded by way of debt-equity in the ratio of 2.33:1. The financial closure for the facility has been achieved by way of bank borrowings. As on December 31, 2014 equity contribution aggregating Rs.33.53 crore had been infused, out of which Rs.9.34 crore was contributed by Lingotes Especiales S.A. and the remaining was brought in by SAL. The balance share of SAL, i.e. Rs.13.15 crore will be infused by the end of FY15.

Analyst Contact

Name: Ms. Rajashree Murkute

Tel: 022-61443505

Email: rajashree.murkute@careratings.com

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

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.

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

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 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 assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

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

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 - 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@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

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@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

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

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

CIN - L67190MH1993PLC071691