

Stanadyne India Private Limited

September 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.83	CARE BB+ (RWD); ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE A- ; Continues to be on Rating Watch with Developing Implications
Long Term / Short Term Bank Facilities	50.00	CARE BB+ / CARE A4+ (RWD); ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE A- / CARE A2+ ; Continues to be on Rating Watch with Developing Implications
Short Term Bank Facilities	30.00	CARE A4+ (RWD); ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE A2+ ; Continues to be on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated April 03, 2024, placed the ratings of Stanadyne India Private Limited (SIPL) under the 'issuer non-cooperating' category as SIPL had failed to provide information for monitoring of the rating. SIPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email September 10, 2024.

In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating of SIPL's bank facilities will now be denoted as **CARE BB+ (RWD)/ CARE A4+ (RWD); ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the Credit rating agency (CRA) shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

The ratings assigned to the bank facilities of SIPL have been revised on account of the non-availability of information for monitoring of the ratings despite repeated requests.

There was a delay in finalizing the annual accounts for FY23 following certain developments at the parent level of SIPL and the ratings were placed on a rating watch with developing implications. Stanadyne LLC, USA previously held a 99% stake in the SIPL with the remaining shares belonging to Stanadyne PPT Holdings. Stanadyne LLC's assets and investments (including the shareholding of SIPL) have been transferred to a new entity namely 'Stanadyne Operating Company LLC', controlled by an investor group led by Cerberus Capital Management, L.P. ("Cerberus"). Stanadyne LLC, apart from being the major shareholder of SIPL, also had business and operational transactions with SIPL. Consequently, there were significant receivables and payables amongst SIPL and its subsidiary with Stanadyne LLC.

The ratings are, constrained by significant concentration of sales with a few customers, vulnerability of business to cyclicity associated with the end-use segments and consequent impact on profitability parameters, technology and regulatory risk associated with emission norms and stretched receivables position. The ratings, however, draw strength from the long-standing experience in the Fuel Injection Equipment (FIE) industry, established relationships with the original equipment manufacturers (OEMs) and Tier-I suppliers in the 'off-road' segment, high entry barriers on account of the capital and technology intensiveness

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

associated with the product, symbiotic relationship between the FIE manufacturers and the OEMs, healthy profitability margins and comfortable capital structure.

Analytical approach: Consolidated

In view of operational, financial and managerial linkages between Stanadyne India Private Ltd and its wholly owned subsidiary Stanadyne Mideast FZE, the consolidated approach has been adopted. Please refer to Annexure 6.

Detailed description of key rating drivers:

At the time of previous rating published on April 03,2024, the following were the key rating drivers:

Key weaknesses**Technology Risk – Change in emission norms and cyclicalities associated with the end-use segments**

The company is required to regularly upgrade its components to comply with the evolving emission norms in the various geographies it caters to. Term V emission norms is proposed to commence by April 2026 in India for off-road diesel engines and an in-service conformity check is required for all Term V approved engines manufactured. Stanadyne currently manufactures rotary pumps with a power capacity less than 37KW and sells mostly to South American and African Markets. Majority of the South American Markets and African Markets are still under adoption of EU Stage III standards, hence there are no major constraints in SIPL's supply of the rotary products to these customers in near future. Besides rotary pumps, the company is also into development of various other products - EGR valves, LPDMS, electronic inline pump for two wheelers and Solenoid Control Unit Pump (SCUP) for three wheelers etc the commercialization is expected in near future.

Concentrated customer profile

On a consolidated basis, the top four customers contribute about 73% of sales in FY22, of which John Deere contribute about 34.5% in FY22. The sales to the parent, Stanadyne LLC were about 15% of total sales in FY22.

Stretched receivables position from the parent

Gross Receivables from Stanadyne LLC on a consolidated basis reportedly increased from Rs 50.30 crores as on March 31, 2022, to Rs 99.01 crores as on March 31, 2023. During FY23, the company made provision worth Rs 49.26 crores towards bad and doubtful debts and overall receivables has come down to Rs 69.63 crores as of March 2023 (PY: Rs 127.51 crores).

Key strengths**Strategic fit of SIPL with Stanadyne Group (SG)**

Stanadyne Group (SG), based out of the USA, has been engaged in the manufacturing of FIE for more than 130 years and has several patents in fuel injection products. The Stanadyne group's requirement of critical components that form the heart of the Rotary FIE system such as the head rotor, hydraulic heads and cam rings are being supplied by SIPL. Furthermore, SIPL had also commenced the export of rotary pumps catering to the requirements of clients of SG in line with the strategy of SG to gradually move up the value chain and concentrate more on the Gasoline Direct Injection (GDI) technology.

Symbiotic relationship between the OEMs & FIE manufacturers and high entry barriers due to the technology intensity of the product

The design of an FIE system is highly customized to suit the requirements of specific engines and the FIE manufacturer is generally involved with OEMs right from the engine design stage itself. In the case of SIPL, the company has access to the technical know-how of the Stanadyne group. SIPL supplies the sub-assemblies to the subsidiary Stanadyne Middle-east FZE, which makes the pump and then caters to the end customer. Both companies operate under the same management and are in a similar line of business. SIPL and its subsidiary supplies to all clients of Stanadyne Group (SG) post diesel technology transfer from SG to SIPL.

Improvement in scale of operations

Total Operating Income (TOI) for FY23 as per audited numbers stood at Rs. 383.55 crores with 14% y-o-y growth. About 15% of the sales were to the SG group on a consolidated basis. CARE understands that the sales to the group have stopped from Aug 1,2023 and SIPL has not had any transactions with Stanadyne LLC USA ever since.

Liquidity: Adequate

The company has minimal term debt of Rs 8.74 crores as against the cash and bank balance of Rs 5.30 crores as on 31, March 2023 and adjusted gross cash accruals (adjusting for debtor provision) of Rs 55.27 crores in FY23. Aided by the reduction in receivable holding, average working capital cycle has improved to 111 days in FY23 (PY: 149 days)

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Policy in respect of non-cooperation by issuers](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Auto Components & Equipments](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

SIPL (Stanadyne India Private Limited) is engaged in the manufacture and sale of FIEs used in diesel engines for off road vehicles like tractors and also industrial applications like gensets. Presently, the company produces and sells mono-bloc pumps, rotary pumps, injectors, and other rotary parts at its plant located Tiruvallur, near Chennai. In 2016, SIPL opened wholly owned subsidiary Stanadyne Mideast FZE (SME) in Sharjah. SIPL supplies the sub-assemblies to the subsidiary SME, which makes the pump and then caters to the end customer.

Consolidated

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	220.45	335.70	383.55
PBILDT	50.52	85.65	26.56
PAT	29.23	58.83	-8.34
Overall gearing (times)	0.31	0.06	0.14
Interest coverage (times)	13.88	31.56	8.95

A: Audited Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-12-2025	15.83	CARE BB+ (RWD); ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	15.00	CARE BB+ / CARE A4+ (RWD); ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	35.00	CARE BB+ / CARE A4+ (RWD); ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-Short Term		-	-	-	30.00	CARE A4+ (RWD); ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	15.83	CARE BB+ (RWD); ISSUER NOT COOPERATING *	1)CARE A- (RWD); ISSUER NOT COOPERATING * (03-Apr-24)	1)CARE A (RWD) (22-Nov-23)	1)CARE A; Stable (01-Dec-22)	1)CARE A-; Positive (07-Feb-22)
2	Fund-based/Non-fund-based-Short Term	ST	30.00	CARE A4+ (RWD); ISSUER NOT COOPERATING *	1)CARE A2+ (RWD); ISSUER NOT COOPERATING * (03-Apr-24)	1)CARE A1 (RWD) (22-Nov-23)	1)CARE A1 (01-Dec-22)	1)CARE A2+ (07-Feb-22)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	15.00	CARE BB+ / CARE A4+ (RWD); ISSUER NOT COOPERATING *	1)CARE A- / CARE A2+ (RWD); ISSUER NOT COOPERATING * (03-Apr-24)	1)CARE A / CARE A1 (RWD) (22-Nov-23)	1)CARE A; Stable / CARE A1 (01-Dec-22)	1)CARE A-; Positive / CARE A2+ (07-Feb-22)
4	Fund-based/Non-fund-based-LT/ST	LT/ST	35.00	CARE BB+ / CARE A4+ (RWD); ISSUER NOT COOPERATING *	1)CARE A- / CARE A2+ (RWD); ISSUER NOT COOPERATING * (03-Apr-24)	1)CARE A / CARE A1 (RWD) (22-Nov-23)	1)CARE A; Stable / CARE A1 (01-Dec-22)	1)CARE A-; Positive / CARE A2+ (07-Feb-22)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Fund-based/Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Stanadyne Mideast FZE	Full	Similar line of business or requires support

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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