

## Sanauto Engineers India Private Limited

December 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	18.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	5.13	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	4.00	CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Sanauto Engineers India Private Limited (SEIPL) to monitor the rating(s) vide e-mail communications/letters dated August 02, 2024, December 02, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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 on SEIPL's bank facilities will now be denoted as **CARE BB+; Stable / CARE A4+; 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 rating(s).**

The ratings take into account its small albeit growing scale of operations, concentrated customer base and elongated operating cycle. Further, the ratings continue to remain constrained by risk associated with foreign exchange fluctuation risk, raw material price volatility risk and its presence in a highly competitive auto component industry. The ratings, however, continue to draw comfort from experienced promoters coupled with long track record of operations, association with reputed customer base, moderate profitability margins, comfortable capital structure and moderate debt coverage indicators.

**Analytical approach:** Standalone

**Outlook:** Stable

**Detailed description of key rating drivers:** At the time of last rating on December 21, 2023 the following were the rating strengths and weaknesses (updated for the information available from MCA)

### Key weaknesses

**Small albeit growing scale of operations:** SEIPL's scale of operations continue to remain small albeit growing as evident from increase in TOI (total operating income) to Rs.60.66 crore and GCA (Gross cash accruals) of Rs.7.70 crore respectively, during FY24 (FY refers to the period April 1 to March 31) as against Rs.43.63 crore and Rs.5.86 crore respectively, during FY23. Nevertheless, the scale remains small, it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the SEIPL's scale of operations has been on a growing trend reflecting a compounded annual growth rate (CAGR) of about 41.33% during FY21-24.

**Elongated operating cycle:** The operations of the company stood elongated as marked by operating cycle of 159 days in FY24 (PY:144 days) with majority of funds blocked in the form of inventory. Owing to large product portfolio (different type of design, sizes, etc.), the company is required to maintain adequate inventory at each processing stage for smooth running of its production processes and to ensure prompt delivery to its customers. The major sales used to happen in the last quarter of each financial year and since, the company used to deal in wide variety of products, the company has to pile up the bulk inventory in the form of raw material for manufacturing the final products. Further, the company has to offer liberal credit period to its customers as majority of them are large sized players who possess high bargaining power as compared to SEIPL resulting in an average collection period of 52 days in FY24 (PY: 54 days). The company procures raw material from domestic as well as overseas market; the company received credit period of around a month from its domestic suppliers and company pays in advance for its import purchases.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Foreign exchange fluctuation risk:** The business operations of SEIPL involve both exports and imports resulting in sales realization and cash outflow in foreign currency. The export contribution to total sales stood ~ 93% in FY23 (PY: 91%). Further, its import procurement to material cost stood at ~37% for FY23, thereby exposing SEIPL to volatility in foreign exchange rate. Though, the foreign exchange fluctuation risk is partially mitigated through a natural hedge, however, in absence of any hedging policies adopted by the company for unhedged exposure, SEIPL is exposed to fluctuations in the value of rupee against foreign currency which may impact its cash accruals. However, the company booked profit of Rs.0.83 crore in FY24 (PY: Rs.1.09 crore) from foreign exchange fluctuations.

**Raw material price volatility risk:** SEIPL primary raw materials are steel and its allied products which is procured from domestic as well as from international players on requirement basis. The finished goods as well as raw material prices of steel products are volatile in nature. The finished goods price moves in tandem with raw material prices. Since, the raw material is the major cost driver, any decline in finished goods prices with no decline in raw material prices will result in adverse performance of the company. However, the company is able to pass on the incremental change in raw material to its customers with a lag of time. SEIPL does not have any backward integration for its primary raw materials and procures the same from outside, it is always exposed to volatility in their prices and has a direct impact on the profitability margins of the company. Thus, the profitability of the company is based on the ability of the company to absorb the increase in raw material prices.

**Presence in a highly competitive auto component industry:** SEIPL operates in a highly competitive industry wherein there is presence of a large number of players in the unorganized as well as organized sectors. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for the production. Furthermore, the auto component industry is largely unorganized in structure, consisting of ~45%-50% of the overall industry size. While the organized segment primarily caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers. This apart, its product being intermediary steel products is subjected to the risks associated with the industry like cyclical.

### Key strengths

**Experienced promoters coupled with long track record of operations:** The operations of SEIPL are currently being managed by Mr. Raj Kumar Karwa, Mr. Hemant Bhatte, Mr. Prashant Karwa, Mr. Sushant Karwa Mr. Vinod Kumar Karwa and Mr. Vedant Karwa. Mr. Raj Kumar Karwa (Managing Director) and Mr. Hemant Bhatte are graduates by qualification and holds an accumulated experience of more than three decades in auto industry through their association with this entity. They are ably supported by other directors of the company namely, Mr. Prashant Karwa, Mr. Sushant Karwa Mr. Vinod Kumar Karwa and Mr. Vedant Karwa in managing day-to-day operations of the company. All the directors hold more than a decade of experience in auto industry. This long-standing experience and expertise in the industry has enabled them to establish good relationship with both customers and suppliers.

**Association with reputed customer albeit concentrated customer base:** SEIPL has been operational for more than three decades and has been able to establish healthy relationship with its customers. In light of the established relationship, the company managed to get repeat orders from its customers. Over these years the company has established business relationship with reputed companies like GE Aviation Systems LLC, Indo Farm Equipment Limited, Ingersoll Rand India Limited, Liebherr Aerospace Lindenberg GMBH, Gibbs Gears Precision Engineers Limited, etc. Association with reputed customers coupled with repeated orders enhances the image of the company in the market regarding timely deliverables with sound product quality. However, sales to GE Aviation Systems LLC and Liebherr- Aerospace Lindenberg GMBH accounts for ~55% share of TOI in FY23. This exposes the company towards customer concentration risk. Any change in procurement policy of these customers may adversely impact the business of the company. This also exposes the company's revenue growth and profitability to its customer's future growth plans.

**Moderate profitability margins:** The profitability margins of the company as marked by PBILDT margin stood moderate during FY21-FY24 since the company maintains wide variety of product portfolio wherein the margin largely depends upon category and quality of product manufactured as major orders is of customized products as per the specification of the clients. However, PBILDT margin of the company though slightly declined yet remains moderate at 21.69% in FY24 (PY:21.78%). Further, in line with PBILDT, PAT margin also dip by 18 bps and stood at 4.43% in FY24 (PY:4.61%).

**Comfortable capital structure and moderate debt coverage indicators:** The capital structure of the company remains comfortable on account of satisfactory net worth base of Rs.44.41 crore as on March 31, 2024 as against the limited debt

levels. The overall gearing of the company though moderate yet remains comfortable at 0.95x as on March 31, 2024 as against 0.39x as on March 31, 2023. The moderation in overall gearing is primarily on account of increase in term loan during FY24. Further, owing to the moderate profitability, the debt coverage indicators of the company continue to remain moderate as marked by interest coverage ratio and total debt to GCA of 2.89x and 5.47x respectively, for FY24 as against 3.00x and 2.76x respectively for FY23. The deterioration is on the back of increase in interest expenses owing to avilment of term loan to fund the capex undertaken by the company.

**Environment, social, and governance (ESG) risks:** Not Applicable

#### Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[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

Delhi based Sanauto Engineers India Private Limited (SEIPL) was incorporated in March, 1988 as a private limited company. The company is currently being managed by Mr. Raj Kumar Karwa, Mr. Hemant Bhattar, Mr. Prashant Karwa, Mr. Sushant Karwa, Mr. Vinod Kumar Karwa and Mr. Vedant Karwa. SEIPL is predominantly an export-oriented unit and is engaged in the manufacturing of auto electrical equipment and precision machined components with wide variety of product portfolio i.e. ~400 products which includes gears, wheels, precision machined components, and starter drives etc. which finds its application mainly in aerospace industry, oil & gas industry, auto ancillary industry, etc. The company sells its products to manufacturing companies like GE Aviation Systems LLC, Indo Farm Equipment Limited, Ingersoll Rand India Limited, Liebherr- Aerospace Lindenberg GMBH, Gibbs Gears Precision Engineers Limited, etc. The company has an associate concern namely; "Victor Colours and Coatings Private Limited" (incorporated in 1988) engaged in the manufacturing of industrial and specialty paints (liquid and powder) for OEMs.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	43.63	60.66	NA
PBILDT	9.50	12.16	NA
PAT	2.01	2.69	NA
Overall gearing (times)	0.39	0.95	NA
Interest coverage (times)	3.00	2.89	NA

H1FY25: refers to the period April 01, 2024 to September 30, 2024

A: Audited UA: Unaudited NA: Not Available; 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-Forward Contract		-	-	-	2.10	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	February, 2030.	16.40	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST-PC/Bill Discounting		-	-	-	4.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	0.13	CARE BB+; Stable / CARE A4+; 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	16.40	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (21-Dec-23)	1)CARE BB+; Stable (29-Sep-22)	1)CARE BB+; Stable (03-Feb-22)
2	Fund-based - LT-Forward Contract	LT	2.10	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (21-Dec-23)	1)CARE BB+; Stable (29-Sep-22)	1)CARE BB+; Stable (03-Feb-22)
3	Fund-based - ST-PC/Bill Discounting	ST	4.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (21-Dec-23)	1)CARE A4+ (29-Sep-22)	1)CARE A4+ (03-Feb-22)
4	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (21-Dec-23)	1)CARE BB+; Stable / CARE A4+ (29-Sep-22)	1)CARE BB+; Stable / CARE A4+ (03-Feb-22)
5	Fund-based/Non-fund-based-LT/ST	LT/ST	0.13	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (21-Dec-23)	1)CARE BB+; Stable / CARE A4+ (29-Sep-22)	1)CARE BB+; Stable / CARE A4+ (03-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-Forward Contract	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
4	Fund-based - ST-PC/Bill Discounting	Simple
5	Fund-based/Non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**

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

**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](mailto:care@careedge.in) for clarifications.

### Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Puneet Kansal Director <b>CARE Ratings Limited</b> Phone: 120-4452018 E-mail: <a href="mailto:puneet.kansal@careedge.in">puneet.kansal@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Sachin Mathur Associate Director <b>CARE Ratings Limited</b> Phone: 91-120-4452054 E-mail: <a href="mailto:sachin.mathur@careedge.in">sachin.mathur@careedge.in</a>
	Arpit Garg Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:arpit.garg@careedge.in">arpit.garg@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**