Sandhar Technologies Limited

February 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	453.67	CARE AA-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short-term bank facilities	79.00	CARE A1+; 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 Limited (CARE Ratings) has been seeking information from Sandhar Technologies Limited (STL) to monitor the rating(s) vide e-mail communications dated October 18, 2024, November 07, 2024, November 14, 2024, November 21, 2024, January 13, 2025, February 06, 2025, February 13, 2025, February 17, 2025, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring of ratings. Aligned with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the rating based on the best available information, which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating.

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

Ratings assigned to bank facilities of STL have been revised considering non-availability of requisite information due to non-cooperation by STL with CARE Ratings efforts to undertake a review of the rating outstanding. CARE Ratings views information availability risk as a key factor in its assessment of credit risk.

Rating sensitivities: Not applicable

Analytical approach: Consolidated, the list of companies getting consolidated with STL is placed at Annexure-6. The consolidated approach is because STL's subsidiaries operate in a similar line of business and STL has a strong operational, management and financial linkages with them.

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on November 30, 2023, the following were the rating weaknesses and strengths:

Key strengths

Long track record in auto ancillary business with experienced promoter group
STL is the flagship company of the Sandhar Group and has long and established track record since 1987 in the auto ancillary industry. The promoters of the group have extensive experience of over three decades in auto ancillary business. Jayant Davar, who is Co-Chairman and Managing Director of the company, has experience of over four decades in the auto component sector and is actively involved with several professional bodies, presently Member of Advisory Committee of Fraunhofer Gesellschaft, Germany, and advisor to Automotive component manufacturers association.

Diversified product portfolio and customer base with strong market position
STL has an established track record of over three decades in the Auto Ancillary business and caters to a wide range of original equipment manufacturers (OEMs) requirements such as lock systems, vision systems, metal sheet stampings, aluminium and zinc die casting components, cabins and fabrication and allied businesses, among others. In FY24, almost 44% of TOI was derived from automotive business, 16% from metal sheet and allied vertical, 25% from aluminium and zinc diecasting, and 15% from cabin and fabrication vertical. Automotive business which comprises lock, mirrors, and sensors are mainly supplied to two wheelers and passenger vehicles. Metal sheets and allied business are supplied majorly to two wheelers. Casting business is done on job work basis to customers such as Hero MotoCorp Limited (HMC) and TVS Motor company Limited (TVS), while cabin and fabrication is mainly to commercial vehicles OEMs, such as JCB India Limited. STL is a market leader, mainly in products such as locks and mirrors, catering the large requirements of HMC and TVS.

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

Healthy capacity utilisation and completion of capex
STL at consolidated level operated at capacity utilisation of 80-90% in FY23 barring one of the subsidiary companies, Sandhar Engineering Private Limited (SEPL) where capacity utilisation stood low at ~20% due to its initial period of operations, which however, is expected to improve in the medium term. STL has constructed eight new plants with an aggregate capex of ~₹555 crore over FY22-FY24. In India, projects include four plants for sheet metal components, one for surface mount technologies and two plants for machining of castings. The plant at Romania is towards aluminium die-casting. All eight plants have gradually started operations.

Growing scale of operations, expected to improve further in medium term
STL's total operating income (TOI) increased by 21.07% YoY to ₹3,521.11 crore in FY24, mainly driven by both increase in volume and improvement in price realisation. The growth was also supported by newly developed products, higher TOI from all vehicle segments, increased share of business from some of the major OEMs, expansion of its customer base, and increasing share of components per vehicle. In 9MFY25, TOI was ~₹2,881.64 crore.

Moderate leverage and debt coverage indicators
STL's leverage and debt coverage indicators stood elevated by end-FY23 mainly due to recently completed large-size debt-funded capex, however, the same stood comfortable. Its overall gearing stood at 0.79x as on March 31, 2024, Similarly, its total debt/ PBILDT stood at 2.24x as on March 31, 2024.

Moderate industry prospects
The demand for STL's products continues to be primarily driven by the auto sector, including two-wheelers, passenger vehicles, off-highway vehicles, and commercial vehicles. In FY25, the domestic automobile sales volume is expected to grow moderately by 6-8%, following steady growth in FY24. Passenger vehicle sales volume growth is projected to remain strong at 6-8%, supported by sustained demand in the sports utility vehicle (SUV) segment. The two-wheeler segment is expected to witness a 7-9% increase in sales, driven by improving rural demand and increasing preference for premium models.
The commercial vehicle segment is likely to register a 4-6% growth in FY25, following strong growth in previous fiscals. However, exports are expected to remain under pressure due to ongoing recessionary trends in key global markets. The projected slowdown in automobile sales in major export destinations, including the United States and Europe, is expected to weigh on India's automobile ancillary exports during the year.

Key weaknesses

High revenue concentration, mitigated by long-standing relationship with reputed auto OEMs
STL derives over 75% of its TOI from two-wheeler and passenger vehicle segments. However, it has long and established relationship with diversified set of customers in auto industry, wherein ~55% of its income was from two customers and balance was from diversified set of customers. Client concentration risk is mitigated by long and established relationship with reputed domestic OEMs leading to negligible credit risk.

Exposure to raw material price volatility and forex risk
Steel, aluminium, and zinc are key materials consumed by the company, the prices of which are volatile. These raw material prices have been fluctuating in the past. Out of this, steel contributes ~70% of the TOI in FY24. Accordingly, STL's PBILDT margin is susceptible to volatile raw material prices which can, however, be passed on with a lag of one to two quarters. The metal demand, especially steel, aluminium, and zinc are cyclical with prices driven by demand and supply conditions in the market and strong linkage to the global market. The procurement of raw material is well diversified with top 10 suppliers covering less than 50% of the total purchases. Moderation in commodity prices and healthy topline growth in industry is expected to improve the operating profit margins of auto ancillary companies in the near term. At consolidated level, the company's exports are ~15% in FY24, which is mainly exported from Sandhar Technologies Barcelona (STB) to nearby countries and there is foreign currency debt, thus leading exposure to forex risk, and group is not hedging its forex exposure leading to forex risk.

Intense competition from other auto ancillary manufactures putting pressure on profitability margins
STL's revenue remains closely aligned to the performance of key auto OEMs and in turn exposed to the cyclical demand patterns inherent to the automobile industry. Following the economic fallout led by the COVID-19 pandemic, domestic and global auto sales were impacted. Moreover, subsequently supply chain constraints such as the semiconductor shortage resulted in temporary hiccups in the past. In the auto ancillary industry, with the presence of large number of organised and unorganised players, the business environment is quite competitive leading to relatively lower operating profitability margin of STL. However, the company's established position in the auto ancillary business mitigates this risk to an extent.

Liquidity: Adequate

STL's liquidity position stood adequate marked by cash accruals of ₹255.71 crore in FY24, also the current ratio stood at 1.2x in FY24. Company is having a total cash balance of ₹44.69 crore as on March 31, 2024. STL is having a total repayment of long-term debt of ₹106 crore in FY25, which will be funded through the internal accruals only.

Environment, social, and governance (ESG) risks

Risk Factors	Actions taken by the company
Environmental	**1.** The Company focuses on innovations and moving forward to the upcoming new era of Electric Vehicles (EVs) and New Technologies overcoming the environmental targets. **2.** The Company is committed towards its goal of carbon net zero and has been accepting, adopting and moving forward in this direction. Company is venturing into new sustainability technologies. There would be gradual shift from grid-based energy to renewable source of energy i.e. reducing the thermal energy & introducing renewable energy. Reduction in Consumption of fossil fuels and usage of Biomass, PNG, LPG Gas operated DG sets. The Company is exploring modes of transportation for employees and for supply of goods through EV, PNG vehicles. **3.** Key projects in this area are community greens by adoption and maintain ace of community park, water conservation by wastewater recycling through STP for maintenance of greens.
Social	**1.** SANDHAR FOUNDATION was incorporated as a Trust for undertaking various activities as part of Corporate Social Responsibility since 2010 onwards. **2.** The CSR Committee and the board of the director's endeavours that the Company spends at least 2% of the average net profits made during the immediate three preceding financial years. If the Company spends any amount over 2% of such average net profits, then the same is to be considered as excess CSR expenditure which can be set- off in the immediate succeeding three financial years' subject to the conditions as prescribed under the Act. Any surplus arising out of CSR activities will be utilized only for CSR purposes. **3.** Key projects in this area are related to education by focussing on remedial education for under privileged girls, mental health programs, distribution of stationery and uniforms, promoting preventive healthcare, safe drinking water, eradicating hunger and malnutrition and promotion of art culture and heritage through various CSR programmes. **4.** STL has now initiated another journey of "SSDC i.e. Sandhar Skill Development Centre". SSDC is a joint effort of Sandhar & ASDC to support the industry to achieve new milestones through skilling & up-gradation of Associates. It is basically a training program available for those under privileged human resources, who could not achieve the desired education and skill to have a suitable job in Industry.
Governance	1. The company is managed by professional board of directors who have extensive experience in industry. The Board comprises of 10 Directors including 3-woman director. The independent Directors are more than 50% of the total number of Directors. 2. There is audit committee, nomination and remuneration committee, Stakeholders relationship committee; risk management committee

Applicable criteria

Definition of Default
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
Liquidity Analysis of Non-financial sector entities
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Auto components	Auto components & equipment

STL is into manufacturing automotive components, for over three decades, such as locking systems, mirror assemblies, metal sheet stampings, cabin and fabrications, wheel assemblies, handlebars assemblies, clutches and brake panels, and door handles, among others. The company has total 42 plants, out of which 38 plants are in India near to auto OEMs and four plants are located in overseas locations, such as Poland, Mexico, Spain, and Romania.

Brief Financials (Consolidated) (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	2,908.91	3,5211.11	2,881.64
PBILDT	250.09	341.00	290.66
PAT	73.56	110.26	99.03
Overall gearing (times)	0.78	0.79	NA
Interest coverage (times)	6.99	6.62	7.07

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-Term Loan		-	-	02-07-2027	98.45	CARE AA-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	321.00	CARE AA-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Letter of credit		-	-	-	34.22	CARE AA-; Stable; ISSUER NOT COOPERATING*
Non-fund-based-Short Term		-	-	-	79.00	CARE A1+; 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	98.45	CARE AA-; Stable; ISSUER NOT COOPERATING*	-	1)CARE AA-; Stable (30-Nov-23)	-	-
2	Fund-based - LT-Working Capital Limits	LT	321.00	CARE AA-; Stable; ISSUER NOT COOPERATING*	-	1)CARE AA-; Stable (30-Nov-23)	-	-
3	Non-fund-based-Short Term	ST	79.00	CARE A1+; ISSUER NOT COOPERATING*	-	1)CARE A1+ (30-Nov-23)	-	-
4	Non-fund-based - LT-Letter of credit	LT	34.22	CARE AA-; Stable; ISSUER NOT COOPERATING*	-	1)CARE AA-; Stable (30-Nov-23)	-	-

*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 - LT-Working Capital Limits	Simple
3	Non-fund-based - LT-Letter of credit	Simple
4	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view 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	Sandhar Engineering Private Limited	Full	Wholly owned subsidiary Operational, financial and managerial linkages
2	Sandhar Technologies Barcelona	Full	Wholly owned subsidiary Operational, financial and managerial linkages
3	Sandhar Tooling Private Limited	Full	Operational, financial and managerial linkages
4	Sandhar Auto Electric Solutions Private Limited	Full	Wholly owned subsidiary Operational, financial and managerial linkages
5	Sandhar Automotive Systems Private Limited	Full	Wholly owned subsidiary Operational, financial and managerial linkages
6	Sandhar Auto Castings private limited	Full	Wholly owned subsidiary Operational, financial and managerial linkages

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:
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.

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