

Sanjeev Auto Parts Manufacturers Private Limited

March 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	132.76 (Reduced from 152.40)	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of rating to bank facilities of Sanjeev Auto Parts Manufacturers Private Limited (SAPMPL) continues to derive strength from long-standing experience of its promoters in the auto-components industry, established relationship with reputed original equipment manufacturers (OEMs), diversified product portfolio and strategic location of its manufacturing facilities at Waluj, Aurangabad. The rating further derives strength from comfortable capital structure, moderate debt coverage indicators, and adequate liquidity position.

However, the rating continues to be constrained by moderate scale of operations, moderate and fluctuating profitability that is susceptible to raw material price volatility and forex rates, and moderate working capital cycle. The rating is further constrained by the cyclical automobile industry, customer and segment concentration risk and ongoing debt funded capex.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in scale of operations on a sustained basis with return on capital employed (ROCE) above 18%.
- Overall gearing below 0.50x on a sustained basis.
- Improvement in total debt (TD) to profit before interest, lease rentals, depreciation, and tax (PBILDT) of lower than 2x on a sustained basis.

Negative factors

- Un-envisaged debt-funded capital expenditure, deteriorating overall gearing beyond 1.20x.
- Adverse impact on liquidity, resulting in elongating working capital cycle or larger-than-anticipated capex.
- Un-envisaged need-based financial support extended by SAPMPL to its subsidiaries in Spain (as corporate guarantees to the term loans or inter-corporate deposits [ICDs]) substantially deteriorating capital structure.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company will continue to benefit from its diversified product portfolio and established customer base, maintaining its financial risk profile in the medium term.

Detailed description of key rating drivers:

Key strengths

Diversified product portfolio

SAPMPL offers a comprehensive and advanced range of products for all major industrial sectors (automobile, agricultural, construction, and power sector). The product portfolio includes motion control sub-assemblies and automobile components such as gears, shafts, shifting forks, precision components, transmission system, machined castings, and forgings among others. Gears contribute to ~75-80% of revenue in the company, followed by shafts and forks.

Strategic location of manufacturing facilities

All manufacturing facilities of the company are in Aurangabad (Maharashtra), in-and-around Waluj MIDC. The plants have flexible manufacturing systems in place, which enables it to manufacture large number of products for OEMs. The company's Waluj plant is specialised in manufacturing sub-assemblies and automobile components such as gears and shafts, shifting forks and precision components. Aurangabad being an auto hub, enables the company to cater to major OEMs.

Comfortable capital structure and moderate debt coverage indicators

SAPMPL's debt profile mainly comprises term loans, working capital borrowings, and unsecured loans from promoters. As on March 31, 2024, SAPMPL's capital structure improved and continued to remain comfortable with an overall gearing of 0.73x (PY: 0.79x) owing to scheduled repayment of term loans and accretion of profit to reserves. Despite planned debt-funded capex, capital structure is expected to remain comfortable in the medium term.

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

Debt coverage indicators also continued to remain moderate with total debt/gross cash accruals (TD/GCA) and interest coverage of 2.70x and 6.85x respectively in FY24 (PY: 2.58x and 5.99x respectively).

Well-established track record and extensive experience of promoters in the industry

Promoters, S.D. Tambolkar and Saudamini Tambolkar, are first-generation entrepreneurs, who have been engaged in manufacturing auto parts since 1987 as a proprietary concern. In 1996, they incorporated SAPMPL as a private limited company. The company is led by their daughter, Maithilee Tambolkar (Managing Director), alongside Shivprasad Kamat (Joint Managing Director). Their industry experience and strong understanding of market dynamics has enabled SAPMPL to maintain healthy relations with customers and suppliers and entail repeat orders from them. They are supported by a team of qualified professionals with significant expertise in their respective fields.

Key weaknesses

Customer and segment concentration risk

SAPMPL faces segment concentration risk with three-wheeler (3W) assemblies contributing to majority of its total sales. Though the company has a long-association with reputed OEMs, revenue base remains concentrated with top three customers contributing ~55-60% of its total operating income (TOI) and a single customer contributing ~30-35% of TOI. In the 3W segment, SAPMPL primarily supplies to one of the world's largest 3W manufacturers. Of SAPMPL's four units, the one in Waluj caters solely to one OEM. This high reliance on one OEM makes the company vulnerable to fluctuations in 3W sales. However, SAPMPL has been actively trying to mitigate customer concentration risk by expanding across segments through product development and securing additional orders from its existing clientele.

Growing yet moderate scale of operations

SAPMPL's scale of operations has reflected a growing trend from FY21 (refers to April 01 to March 31) to FY24 driven by higher demand from existing customers, increased sales volume and addition of new customers.

In FY24, the company's TOI increased by ~7% to ₹544.46 crore (PY: ₹507.79 crore), driven by increased business in the 3W, 2W, and EV segments from one of its major customers. In 9MFY25 (refers to April 01 to December 31), TOI stood at ₹439.07 crore (9MFY23: ₹422.03 crore). Scale of operations is likely to grow steadily in the medium term supported by new product developments and customer additions in the overseas market.

Moderate and fluctuating profitability that is susceptible to raw material price and forex rate volatility

The company's PBILDT margin reflected a fluctuating trend in the range of 10-15% over FY20-FY24 due to raw material price volatility. Key raw materials for forging include steel and mild steel scrap, prices of which have been fluctuating in recent years due to volatility in global commodity markets.

In FY24, the PBILDT margin declined to 11.43% (PY: 12.81%) owing to several factors, including higher cost of raw materials consumed, increased employee costs and rising freight costs. The PAT margin also declined to 1.72% in FY24 (PY: 3.66%) primarily due to lower non-operating income and an exceptional item (provision for impairment of its investment in its subsidiary, Sanjeev Engineering Spain S.L.U. (SESSL)) of ₹12.58 crore.

SAPMPL is also exposed to fluctuations in forex rates as the company derives ~20-25% of TOI from export market. However, the company's repayments in foreign currency provides a natural hedge to some extent. SAPMPL does not engage in hedging contracts for exchange rate fluctuations. Sharp fluctuation in foreign currency rates may have an impact on the company's financials.

The company's profitability has improved in 9MFY25 with PBILDT margin of 13.72%. Going forward, profitability margin is expected to improve driven by new product developments and growth in export business.

Moderate working capital cycle

SAPMPL's operations remain working capital intensive mainly due to funds being blocked in inventory and debtors. In FY24, the operating cycle stood moderate at 70 days (PY: 71 days). The company has to maintain sufficient inventory for uninterrupted production and timely execution of orders.

Major receivables are from export orders, which demand higher credit and transit time. This is offset by negotiating better credit terms with local suppliers. Currently, the company meets its working capital requirements through a mix of internal accruals and working capital facilities from banks.

Ongoing debt funded capex

The company is continuously investing in new product developments and technology upgradation to align with industry trends. The capex in FY25 is also related to capacity enhancement and capability enhancement to support the addition of components for existing customers and for new customers. Furthermore, capex for the next two years will also be related to technology upgradation and capacity expansion, for which, financial closure is partially achieved. Ramp-up of operations and the ability to derive envisaged benefits will remain crucial from credit perspective.

Cyclical auto industry

The automobile industry is cyclical and automotive component suppliers' sales are directly linked to sales of auto OEMs, which are linked with economic activity. The auto industry is inherently vulnerable to economic cycles, industrial growth, investments in infrastructure, and regulatory changes (emission norms, scrappage policy, and overloading norms).

The auto-ancillary industry is competitive with a large number of players in the organised and unorganised sector. While the organised segment majorly caters to the OEM segment, the unorganised segment mainly caters to the replacement market.

Liquidity: Adequate

The company's liquidity position continues to remain adequate, characterised by sufficient cushion in accruals of ₹50-60 crore against annual repayment obligations of ₹20-25 crore over FY25-FY27. This leaves sufficient headroom for internal funds to contribute to the capital expenditures.

Average utilisation of fund-based limits stood at ~84% for 12 months ended December 31, 2024. Cash flow from operations stood at ~₹50 crore in FY24 (PY: ~₹45 crore).

Applicable criteria
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios - Non Financial Sector](#)
[Auto Components & Equipments](#)
About the company and industry**Industry classification**

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

SAPMPL was incorporated in 1996 by S.D. Tambolkar. The company is engaged in manufacturing gears, shafts, shifting forks, precision components, transmission system, machined castings, and forgings, which find application in automobile, agricultural, construction and power sectors. The company has four major manufacturing plants in-and-around Waluj, Aurangabad. SAPMPL also has presence in Europe through its subsidiaries, SESSL and its step-down subsidiary, Grudiva S.A.U., which is involved in manufacturing gear box components.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	507.79	544.46	439.07
PBILDT	65.04	62.24	60.22
PAT	18.59	9.39	NA
Overall gearing (times)	0.79	0.73	NA
Interest coverage (times)	5.99	6.85	7.43

A: Audited; Prov.: Provisional; 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		-	-	30-04-2025	1.74	CARE A; Stable
Fund-based- Working capital facilities		-	-	-	30.00	CARE A; Stable
Term Loan- Long Term		-	-	31-10-2029	101.02	CARE A; Stable

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-Working capital facilities	LT	30.00	CARE A; Stable	1)CARE A; Stable (02-Apr-24)	1)CARE A; Stable (06-Apr-23)	1)CARE A; Stable (07-Apr-22)	1)CARE A; Negative (06-Apr-21)
2	Term Loan-Long Term	LT	101.02	CARE A; Stable	1)CARE A; Stable (02-Apr-24)	1)CARE A; Stable (06-Apr-23)	1)CARE A; Stable (07-Apr-22)	1)CARE A; Negative (06-Apr-21)
3	Fund-based - LT-Term Loan	LT	1.74	CARE A; Stable	1)CARE A; Stable (02-Apr-24)	1)CARE A; Stable (06-Apr-23)	1)CARE A; Stable (07-Apr-22)	1)CARE A; Negative (06-Apr-21)

LT: Long 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-Working capital facilities	Simple
3	Term Loan-Long Term	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 for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Akhil Goyal Director CARE Ratings Limited Phone: 022-67543590 E-mail: akhil.goyal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Ashish Kashalkar Assistant Director CARE Ratings Limited Phone: 9102040009009 E-mail: Ashish.Kashalkar@careedge.in
	Aashvi Shah Lead Analyst CARE Ratings Limited E-mail: Aashvi.Shah@careedge.in

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**