Shivam Autotech Limited

July 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	181.82	CARE BB-; Negative	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	4.80	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to bank facilities of Shivam Autotech Limited (SAL) factor in continued weak operational and financial risk profile leading to continued losses in FY25, under-utilisation of its manufacturing capacities leading to under recovery of fixed costs and stretching of creditors, revenue concentration risk towards few customers along with low bargaining power with such customers, susceptibility to volatile raw material prices and cyclical nature of auto sector. The company has fund raising plans which is expected to ease out the stressed liquidity. However, the ratings continue to derive comfort from experienced promoters and their continuous support, company being part of S N Munjal faction with about 40% of revenue from Hero Motocorp Limited (HML), and locational advantage of its manufacturing facilities.

The ratings also take cognizance of recently received show cause notice from the office of Central GST Commissionerate, Dehradun and any adverse decision levying significant penalty against the company on this front shall be a key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in capital structure with overall gearing of less than 1.75x
- Improvement in total debt/GCA below 10x
- Improvement in profitability leading to adequate cash generation sufficient to meet debt obligations
- Better management of working capital cycle and lower utilisation of working capital limits leading to improvement in liquidity position

Negative factors

- Decrease in total operating income below Rs. 450 crores and/or decline in PBILDT margin below 10% on a sustained basis
- Further elongations in working capital cycle and resultant weakening of liquidity position.

Analytical approach:

Standalone

Outlook: Negative

The outlook of SAL has been revised from ‘Stable’ to ‘Negative’ in view of PBILDT being insufficient to meet interest expenses leading to sustained losses at net levels and stressed liquidity position. Consequently, the company has been depending on promoters’ support and external funds to meet its debt repayment obligations. The outlook may be revised to stable in case the company is able to raise significant amount of additional funds and ramp up its operations, leading to improvement in liquidity.

Detailed description of key rating drivers:

Key weaknesses

Weak overall financial risk profile

The company has reported total operating income (TOI) of ₹453.98 crore in FY25 over FY24 (PY: ₹469.66 crore) along with PBILDT margin of 9.78% (PY:9.22%). However, it has continued to book losses on net level as reflected through after-tax losses of Rs 48.04 crore in FY25 (PY: Rs 50.19 crore). The company is facing difficulties in managing its working capital requirements

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited’s publications.

efficiently leading to continued lesser production in FY25 resulting in inability to scale up. The management is expecting improvement in revenue in H2FY26 based on better utilisation of its capacity.

The capital structure of the company continues to be leveraged with overall gearing of 10.94x as on March 31, 2025 which deteriorated from 7.29x as on March 31, 2024, largely on account of depletion of net worth due to continuous occurring of losses though slight reduction in the debts during the year. The company has total outstanding debt of Rs 344.55 crore in FY25 (PY: Rs. 391.30 crore), majorly comprising of term loan, NCDs, working capital limits & unsecured loans from promoters. Decline in debt levels in FY25 was majorly on account of conversion of optionally convertible debentures of Rs 25 crore issued to Modulus Alternatives Investment Managers Ltd into equity and repayment of the term loans.

Show cause notice from GST department

The company has received a Show Cause Notice under the provisions of section 74 of the CGST/UKGST Act, 2017 & IGST Act, 2017 from the office of Central GST Commissionerate, Dehradun on 01.07.2025. which has been issued on the ground of mismatch of the tax value shown in the monthly returns and the value as per the E-way bill data furnished by SAL. As per the show cause notice, the total tax liability amounts for Rs. 50,10,05,632/- for the FYs 2018-2019 to 2020-21 on which interest @18% per annum and penalty up to 100% of the tax would be charged in case the company fails to respond adequately. As the subject matter is under assessment, the same is a key monitorable.

Revenue concentration risk

SAL derives majority of its revenue from single client: Hero MotoCorp Limited (HML). HML contributes around 40% of revenue of SAL. Further, majority of its product manufactured such as gears and shafts find its usage in two wheelers. As a result, SAL is exposed to customer concentration as well as segment concentration risk. However, the company has been putting efforts in diversifying the product portfolio and hence have ventured into other automotive segments such as three wheelers, four wheelers, commercial vehicles as well as non-automotives. Approximately 97% of the revenue is generated from the automotive segment, while the remaining 3% comes from non-automotive segments.

Low bargaining power with customers and susceptibility of margins to volatility in raw material prices

Though there exists limited bargaining power with the customers, since the major customers are auto companies/OEMs, however, the company does have a mechanism wherein any revision in the raw material prices is reset by the OEMs on quarterly basis and the change in the raw material prices are accommodated subsequently. The major raw material (Steel) cost accounts for around 40% of total operating income, further, global prices for steel are volatile which exposes SAL to price risk.

Cyclical nature of the automotive industry

The automobile industry is highly cyclical in nature and automotive component suppliers' sales are directly linked to sales of auto OEMs. Further, the auto-ancillary industry is highly competitive with the presence of a large number of players in the organized as well as unorganized sector.

Key strengths

Experienced promoters

SAL is part of the Satyanand Munjal Group (Late Mr Satyanand Munjal was brother of Late Mr Brij Mohan Lal Munjal) and was started in 1999 to meet HML's component requirements. Subsequently in 2005, SAL was hived off from Munjal Auto Industries Ltd with focus on the forging and machinery division. The company's Chairman, Mr. Yogesh Chandra Munjal (son of Late Mr Satyanand Munjal) has a vast experience in the two-wheeler industry. Mr. Neeraj Munjal, Managing Director has almost three decades of experience in the auto component sector. Mr. Munjal holds a graduate in Business Management from Bradford & Ilkley Community College, England, besides a bachelor's degree in commerce.

Location advantage

The company's business profile is strongly linked with HML which is the largest customer of SAL and accounted for approximately 40% of sales. On the other hand, HML is also dependent on SAL for procurement of gears and shafts which accounts for approximately 65-70% of its overall requirement. Thus, the two companies have strong operational linkages. Most of the manufacturing plants of SAL are in the vicinity of HML's manufacturing plant.

Liquidity: Stretched

The liquidity profile of the company is stretched as the company has continued to generate Negative GCA in FY25 as against significant term debt repayment obligation. The working capital utilisation in last 12 months ending on May '25 is ~78%, reflecting moderate limit utilisation. The cash & cash equivalents stood at ~Rs. 0.22 crore as on March 31, 2025. The liquidity is supported by undisbursed amount of ~Rs. 70 crores of NCD from Modulus Alternatives Investment Managers Ltd and ~18 crore NCD from Aditya Birla Sunlife AMC Limited. Further the promoters had supported the company by infusing funds in the form of unsecured loans of ~Rs. 7.50 crore in FY25 to support the operations of the company. The promoters will further infuse more funds in the business as and when required going forward. Besides, the company is contemplating fund raising for improving the liquidity profile of the company.

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
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

SAL, formerly known as Munjal Auto Components, commenced operations in Sep-1999 as an autonomous wing of 'HERO' Group. Later in 2005, the forging and machinery divisions were hived off and thus SAL was incorporated in July 29, 2005. The company is engaged in manufacturing of transmission gear & shafts, Precision Engineering Components (PECs), etc. for two wheelers, three wheelers. Four wheelers, commercial vehicles as well as non-automotives such as aerospace, power tools & renewable energy. SAL has four plants located in Gurgaon, Haridwar, Bengaluru and Rohtak.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (Abridged)
Total operating income	471.05	469.66	453.98
PBILDT	50.18	43.30	44.42
PAT	-34.72	-50.19	-48.04
Overall gearing (times)	4.10	7.29	10.94
Interest coverage (times)	1.01	0.75	0.75

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-Cash Credit		-	-	-	60.20	CARE BB-; Negative
Fund-based - LT-Term Loan		-	-	31/01/2028	115.02	CARE BB-; Negative
Fund-based - LT-Working Capital Limits		-	-	-	6.60	CARE BB-; Negative
Non-fund-based - ST-BG/LC		-	-	-	4.80	CARE A4

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	115.02	CARE BB-; Negative	-	1)CARE BB-; Stable (03-Jan-25)	1)CARE BB-; Stable (09-Oct-23)	1)CARE B; Stable (30-Sep-22)
2	Non-fund-based - ST-BG/LC	ST	4.80	CARE A4	-	1)CARE A4 (03-Jan-25)	1)CARE A4 (09-Oct-23)	1)CARE A4 (30-Sep-22)
3	Fund-based - LT-Cash Credit	LT	60.20	CARE BB-; Negative	-	1)CARE BB-; Stable (03-Jan-25)	1)CARE BB-; Stable (09-Oct-23)	1)CARE B; Stable (30-Sep-22)
4	Fund-based - LT-Working Capital Limits	LT	6.60	CARE BB-; Negative	-	1)CARE BB-; Stable (03-Jan-25)	1)CARE BB-; Stable (09-Oct-23)	1)CARE B; Stable (30-Sep-22)

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple
4	Non-fund-based - ST-BG/LC	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	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: : + 91-12-0445 2018 E-mail: puneet.kansal@careedge.in Akhil Kumar Associate Director **CARE Ratings Limited** Phone: +91-12-0445 1986 E-mail: akhil.kumar@careedge.in Naincy Barnwal Lead Analyst **CARE Ratings Limited** E-mail: Naincy.barnwal@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 Reserve Bank of India. 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. For more information: www.careratings.com

For detailed Rating Report and subscription information, please visit www.careratings.com