

FEBRUARY 13, 2015

CARE ASSIGNS 'CARE BB/CARE A4' RATINGS TO THE BANK FACILITIES OF HAPPY FORGINGS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	231.46	CARE BB (Double B)	Assigned
Short term Bank Facilities	21	CARE A4 (A Four)	Assigned
Total Facilities	252.46		

Rating Rationale

The ratings assigned to the bank facilities of Happy Forgings Limited (HFL) are primarily constrained by the high overall gearing of the company as on March 31, 2014 (refers to the period April 01 to March 31), working capital-intensive nature of operations, client concentration risk and cyclical nature of the commercial vehicle segment industry. The ratings, however, derive strength from the past experience and resourcefulness of the promoters, reputed and well-established customer base, increasing scale of operations along with integrated nature of operations leading to high operating profit margins in the past.

The ability of the company to profitably scale up its operations with improvement in capital structure and efficient management of the working capital will remain the key rating sensitivities.

Background

Happy Forgings Limited (HFL) earlier constituted as a private limited company started its operations as a foundry unit in 1979 for forging of cycle parts. The company was later reconstituted as a closely held public limited company in 1988 with Mr Paritosh Kumar Garg as its managing director. The company is into manufacturing of around 800 types of forged and machined auto, engine components (weighing from 1 kg to 100 kg. per piece) viz. crank shafts, connecting rods, front axle beams, knuckle, differential cage, crown wheel, pinions, transmission gears/shafts and components etc. mainly for the four wheeler segments (commercial vehicle, construction equipments, tractors, earthmoving equipment's etc.) In FY13, on account of slowdown in the auto ancillary industry (especially commercial vehicle segment) the Company's debt was restructured.

Happy Forgings Ltd. registered a total operating income of Rs.297.96 crore during FY14 with PBILDT and PAT of Rs.51.63 crore and Rs.3.5 crore respectively as against a total operating income of Rs.247.75 crore with PBILDT of Rs.39.79 crore and net losses of Rs.9.56 crore in FY13.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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