OCTOBER 05, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF HAPPY FORGINGS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	219.43 (reduced from 231.46)	**CARE BB+ [Double B Plus]**	Revised from CARE BB [Double B]
Short term Bank Facilities	31.44 (enhanced from 21.00)	**CARE A4+ [A Four Plus]**	Revised from CARE A4 [A Four]
Total Facilities	**250.87 (Rupees Two Hundred Fifty crore and Eighty Seven lakh only)**		

Rating Rationale

The revision in the ratings of the bank facilities of Happy Forgings Limited (HFL) takes into account the improvement in the overall financial risk profile marked by increasing scale of operations, healthy profitability margins and improving solvency position during FY15 (refers to the period April 1 to March 31). The ratings continues to derive strength from the experience and resourcefulness of the promoters, reputed and well-established customer base, high operating profit margins due to integrated nature of operations and diversified revenue stream. However, the ratings remain constrained by the leveraged capital structure, working capital intensive nature of operations, client concentration risk and cyclical nature of the commercial vehicle segment.

Going forward, HFL's ability to further improve its solvency position while efficiently managing its working capital requirements shall be the key rating sensitivities.

Background

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 four-wheeler segments (commercial vehicle, construction equipments, tractors, earthmoving equipment's etc.) HFL has an 8000 Ton forging press at its unit in Ludhiana, Punjab, which has an overall installed capacity of 46,000 MT for forging segment and 12,050 MT for machining segment. In FY13, on account of slowdown in the auto ancillary industry (especially commercial vehicle segment) the company's debt was restructured.

HFL registered a total operating income of Rs.339.05 crore during FY15 with PAT of Rs.16.37 crore as against a total operating income of Rs.299.45 crore with PAT of Rs.4.31 crore in FY14. In Q1FY16 (Prov.), HFL achieved total operating income of Rs.92.46 crore, with PBT of Rs.3.32 crore.

Analyst Contact

Name: Mr Sajan Goyal
Tel: 0172-5171102
Cell: +91 9988805650
Email: sajan.goyal@careratings.com

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

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, HimayatNagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rakesh Jayaraman
304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, NearCollectorateCircle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 7665596136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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