Happy Forgings Limited
April 10, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	219.43	**CARE BB+; ISSUER NOT COOPERATING (Double B Plus; ISSUER NOT COOPERATING)**	**Issuer Not Cooperating; on the basis of best available information**
Short-term Bank Facilities	31.44	**CARE A4+; ISSUER NOT COOPERATING (A Four Plus; ISSUER NOT COOPERATING)**	**Issuer Not Cooperating; on the basis of best available information**
Total	**240.87 (Rupees Two hundred Forty crore and Eighty Seven lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Happy Forgings Limited (HFL), to monitor the ratings vide e-mail communications/letters dated November 08, 2016; November 09, 2016; November 15, 2016; February 28, 2017; March 02, 2017; March 07, 2017 & March 09, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The ratings on Happy Forgings Limited's bank facilities will now be denoted as **CARE BB+/CARE A4+; ISSUER NOT COOPERATING**.

Users of these ratings (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

Key Rating Weaknesses

Working capital intensive nature of operations: The operations of the company are working capital intensive in nature marked by an operating cycle of ~99 days as on March 31, 2016.

Susceptibility of margins to cyclical nature of commercial vehicle industry: HFL derived major portion of its income from sales made to reputed clients in automobile industry. Any downtrend experienced in the performance of these players will have an impact on the operational and financial profile of HFL. Any fluctuation in the global and domestic economic conditions is also expected to have an impact on HFL's operational and financial performance.

Client concentration risk: The revenue of the company is concentrated with top 6 customers contributing ~50% of total income during FY15 (refers to the period April 01 to March 31). However, the risk is mitigated to some extent as the clients to whom HFL supplies its products are well established players in the market and the company has been established strong relation with these companies and gets regular orders from them.

Moderately leveraged capital structure: The capital structure of the company remained moderately leveraged with long-term debt to equity ratio and overall gearing ratio at 1.19x and 1.56x, respectively, as on March 31, 2016.

Key Rating Strengths

Experienced management team and established track record: The company is engaged in manufacturing of forged and machined auto component and has an operational track record for over two decades. The company is currently being headed by Mr Paritosh Kumar Garg having an industry experience of nearly three decades.

Established business relationship with customers and suppliers: Presence of HFL for over three decades has led to established relationships with customers and suppliers.

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

Increasing scale of operations with healthy operating margins: The company's operating income grew at around 11% (y-o-y basis) in FY16 with the PBILDT and PAT margins of 20.34% and 4.51%, respectively.

Analytical approach– Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
CARE's policy on default recognition
Criteria for short-term instruments

About the Company
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 by its main promoter and managing director Mr Paritosh Kumar Garg. 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, cars, construction equipments, tractors, earthmoving equipment's etc.) and is catering to various reputed OEMs. The company has a 8000 Ton forging press, and 6 Hammers (ranging from 1T to 6T), which are available with only a few forging players in the industry.
The company restructured its debt in FY13 on account of heavy debt repayment obligations of the company due to debt funded capex undertaken. The business of the company was also impacted due to slowdown in the economy, and the auto ancillary sector was also not performing well during that period (especially commercial vehicle segment).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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.*

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	150.12	CARE BB+; ISSUER NOT COOPERATING
Fund-based - LT-Cash Credit	-	-	-	69.31	CARE BB+; ISSUER NOT COOPERATING
Non-fund-based - ST-BG/LC	-	-	-	31.44	CARE A4+; ISSUER NOT COOPERATING

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	150.12	CARE BB+; ISSUER NOT COOPERATING	-	-	1)CARE BB+ (05-Oct-15)	1)CARE BB (13-Feb-15)
2.	Fund-based - LT-Cash Credit	LT	69.31	CARE BB+; ISSUER NOT COOPERATING	-	-	1)CARE BB+ (05-Oct-15)	1)CARE BB (13-Feb-15)
3.	Non-fund-based - ST-BG/LC	ST	31.44	CARE A4+; ISSUER NOT COOPERATING	-	-	1)CARE A4+ (05-Oct-15)	1)CARE A4 (13-Feb-15)

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