JUNE 20, 2016

CARE ASSIGNS 'CARE A-' AND 'CARE A1' RATINGS TO THE BANK FACILITIES OF SHIVAM AUTOTECH LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	310	**CARE A- (Single A Minus)**	**Assigned**
Short-term Bank Facilities	33	**CARE A1 (A One)**	**Assigned**
Total Facilities	**343 (Rupees Three Hundred Forty Three crore only)**		

Rating Rationale

The ratings assigned to the bank facilities of Shivam Autotech Limited (SAL) derive strength from the experienced and resourceful promoters, favourable location of its plants, strong operational linkages and long-standing relationship with its major customer. The ratings also derive strength from comfortable financial profile marked by robust profitability margins, healthy cash accruals and solvency parameters.

The ratings are, however, constrained by revenue concentration and debt funded capex in recent past for expansion of its facilities at its existing plants.

Going forward, the company's ability to effectively manage its working capital requirements and ensure healthy off-take from its major clients would remain the key rating sensitivities.

Background

SAL, formerly known as Munjal Auto Components (MAC) commenced operations in September 1999 as an autonomous wing of the HERO Group. Later in 2005, the forging and machinery division was hived off from Munjal Auto Industries Limited and thus SAL was incorporated in July 2005. The company is engaged in manufacturing of transmission gear & shafts, Precision Engineering Components (PECs), etc, for two wheelers. The company has also diversified into four wheeler components, though the revenue contribution is around 10-15%.

Dayanand Munjal Investments Pvt Ltd holds 74.80% stake in SAL as on March 31, 2015. Mr Yogesh Munjal and Mr Neeraj Munjal (MD, SAL) control Dayanand Munjal Investments Pvt Ltd.

SAL has four plants located in Gurgaon, Manesar, Haridwar and Bengaluru. The company is also setting up its fifth manufacturing plant at Rohtak (Haryana) which is in close proximity to HeroMoto Corp Ltd's (Hero) Dharuhera (Haryana) Plant.

During FY15 (refers to the period April 1 to March 31), SAL reported PAT of Rs.28.14 crore on total operating income of Rs.445.82 crore as against PAT of Rs.28.43 crore on total operating income of Rs.398.59 crore during FY14. During 9MFY16 (Provisional), the company reported PAT of Rs.15.51 crore on a total operating income of Rs.315.07 crore.

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

Analyst Contact
Name: Mr Manek Narang
Tel: 011-45333233
Cell: + 91 9810596225
Email: manek.narang@careratings.com

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

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

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@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

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. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@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. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@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.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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