

Shivam Autotech Limited

November 25, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	431.74	CARE D (Single D)	Revised from CARE BB; Negative (Double B; Outlook: Negative)
Short Term Bank Facilities	40.00	CARE D (Single D)	Revised from CARE A4 (A Four)
Total Facilities	471.74 (Rs. Four Hundred Seventy-One Crore and Seventy-Four Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Shivam Autotech Limited factors in stretched liquidity position of the company and resultant delays in servicing of its debt obligations.

Rating Sensitivities

Positive Factors

- Establishing track record of timely debt servicing of debt obligations for a continuous period of 90 days
- Improvement in liquidity position of the company

Key Rating Weaknesses

Delays in servicing of debt obligations:

Due to disruption in the operations owing to the outbreak of Covid-19 pandemic, liquidity profile of the company weakened resulting in delays in debt servicing.

The company has declared its results for the quarter and half year ended September 30, 2020 with total income reported at Rs.133.66 Cr (Q1FY21: Rs.38.22 Cr). The company has reported net profit of Rs.1.44 Cr in Q2FY21.

Liquidity: Poor

Liquidity position of the company is poor as evinced by its inability to service its debt obligations in a timely manner. The liquidity profile is delicately poised due to high working capital utilization and poor liquidity position is also reflected from weak current ratio which stood at 0.54x as on March 31, 2020. Prudent working capital management would be crucial.

To tide over the uncertainty attached to the Covid-19 outbreak, the company has taken the moratorium facility for its debt obligations, which is in line with the Covid-19 regulatory package. As informed to CARE, this is in the anticipation of the said approval from the concerned lenders following the regulatory package by RBI; some of the scheduled repayments were deferred by the company.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch'](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Criteria for Short-term Instruments](#)

[CARE's methodology for auto ancillary companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

[CARE's methodology for Factoring Linkages in Ratings](#)

About the Company

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. SAL has four plants located in Gurgaon, Haridwar, Bengaluru and Rohtak. In order to reduce its costs, the Company has decided to close manufacturing activities at its plant situated at Manesar Gurugram.

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

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	635.57	587.83
PBILDT	82.40	51.59
PAT	(18.21)	(37.13)
Overall gearing (times)	2.55	3.21
Interest coverage (times)	1.69	0.97

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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	-	-	FY2026	251.74	CARE D
Non-fund-based - ST-BG/LC	-	-	-	40.00	CARE D
Fund-based - LT-Cash Credit	-	-	-	180.00	CARE D

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	251.74	CARE D	1)CARE BB; Negative (06-Oct-20) 2)CARE BBB-; Negative (22-May-20)	1)CARE BBB-; Negative (17-Feb-20) 2)CARE BBB; Negative (20-Aug-19)	1)CARE BBB+; Stable (13-Feb-19)	1)CARE BBB+; Stable (10-Nov-17)
2.	Non-fund-based - ST-BG/LC	ST	40.00	CARE D	1)CARE A4 (06-Oct-20) 2)CARE A3 (22-May-20)	1)CARE A3+ (17-Feb-20) 2)CARE A2 (20-Aug-19)	1)CARE A2+ (13-Feb-19)	1)CARE A2+ (10-Nov-17)
3.	Fund-based - LT-Cash Credit	LT	180.00	CARE D	1)CARE BB; Negative (06-Oct-20) 2)CARE BBB-; Negative (22-May-20)	1)CARE BBB-; Negative (17-Feb-20) 2)CARE BBB; Negative (20-Aug-19)	1)CARE BBB+; Stable (13-Feb-19)	1)CARE BBB+; Stable (10-Nov-17)

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-BG/LC	Simple

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.

Contact us

Media Contact:

Name: Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact:

Name: Achin Nirwani
Contact no.: +91-11- 45333233
Email ID: achin.nirwani@careratings.com

Relationship Contact:

Name: Swati Agrawal
Contact no. : +91-11-4533 3200
Email ID: swati.agrawal@careratings.com

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