

Ref: STL / REG-30 / BSE / NSE / 2018-19 / 34

Dated: 23<sup>rd</sup> February, 2019

To,  
Department of Corporate Services,  
BSE Limited  
Phiroze Jeejeebhoy Towers, Dalal Street,  
Mumbai – 400 001

To,  
Listing Department,  
National Stock Exchange of India Limited  
C-1, G-Block, Bandra-Kurla Complex  
Bandra, (E), Mumbai – 400 0051

**BSE Code: 541163; NSE: SANDHAR**

**Ref: Revision in Credit Rating**

**Re: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir/Madam,

We wish to inform you that India Ratings and Research (Ind-Ra) has awarded a rating of IND A1+ to Company's Commercial Paper as per details below:

Instrument Type	Earlier Size of Issue (million)	Current Size of issue (million)	Rating/ Outlook	Rating Action
Commercial Paper*	INR 400	INR 800	IND A1+	Assigned

\*Carved out of working capital limits

Ind-Ra's has outstanding ratings on INR 800 million CPs of Company. A copy of the report dated 22<sup>nd</sup> February, 2019 from credit rating agency covering the rationale for additional commercial paper of Company and report of the previously rated INR400 million limit dated 13<sup>th</sup> August, 2018 is enclosed for your information.

We request you to take the same on record.

Thanking You

Yours faithfully,

**FOR SANDHAR TECHNOLOGIES LIMITED**



(Arvind Joshi)  
Whole-Time Director,  
Chief Financial Officer &  
Company Secretary  
DIN: 01877905

Encl: As above

**Sandhar Technologies Limited**

Mr. Arvind Joshi  
Chief Financial Officer  
Sandhar Technologies Limited  
Plot No 13, Sector – 44, Gurgaon,  
Near Huda City Center Metro Station,  
Gurgaon, Haryana - 122022

February 22, 2019

**Kind Attn: Mr. Arvind Joshi, Chief Financial Officer**

Dear Sir,

**Re: Rating of the INR400 million Commercial Paper of Sandhar Technologies Limited.**

India Ratings and Research (Ind-Ra) has rated Sandhar Technologies Limited's (STL) commercial paper (CP) as follow:

Instrument Type	Size of Issue (million)	Rating/Outlook	Rating Action
CP*	INR400	IND A1+	Assigned

\* Carved out of working capital limits.

Note: Ind-Ra's has outstanding ratings on INR800million CPs of STL. Please refer to letter dated 13 August 2018 for the previously rated INR400million limit.

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings' factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

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It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. The rating detailed above is valid for 12 months from the date of this letter. Notwithstanding the above, the rating is subject to review on a continuing basis, with formal reviews being undertaken at regular intervals of no more than 12 months. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact the undersigned at +91 22 4000 1700.

Sincerely,

India Ratings



Rakesh Valecha  
Senior Director



Prashant Tarwadi  
Director

## India Ratings Upgrades Sandhar Technologies to 'IND AA-/Stable

13

By Richa Bulani

AUG 2017

India Ratings and Research (Ind-Ra) has upgraded Sandhar Technologies Limited's (STL) Long-Term Issuer Rating to 'IND AA-' from 'IND A+'. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Long-term loans	-	-	June 2023	INR2,223.9	WD	Withdrawn (paid in full)
Fund-based working capital limits	-	-	-	INR1,550 (increased from INR1,400)	IND AA-/Stable/IND A1+	Long-term rating upgraded; Short-term rating affirmed
Non-fund-based working capital limits	-	-	-	INR262.5	IND AA-/Stable/IND A1+	Long-term rating upgraded; Short-term rating affirmed
Non-fund-based working capital limits	-	-	-	EUR9 (increased from EUR8)	IND AA-/Stable/IND A1+	Long-term rating upgraded; Short-term rating affirmed
Commercial paper*	-	-	Up to 360 days	INR400	IND A1+	Affirmed

\* Carved out of working capital limits

Ind-Ra continues to take a consolidated view of STL and its two operational subsidiaries, as they have similar business profiles. STL has provided a standby letter of credit for the loans extended to its Barcelona-based subsidiary. Also, it has strong operational and management control over both subsidiaries. STL accounts for about 86% of the consolidated revenue and about 89% of consolidated profit after tax.

The upgrade factors in the significant deleveraging achieved by STL post an initial public offering (IPO) as well as an improvement in its operating performance backed by favourable industry growth.

### KEY RATING DRIVERS

**Deleveraged using IPO Proceeds:** STL raised INR3,000 million in IPO in March 2018 and used the proceeds to repay all its term loans amounting to INR2,541 million at the standalone level in April 2018. On the standalone level, net adjusted leverage (net adjusted debt/EBITDA) improved to 0.9x in FY18 (FY17: 2.3x). On the consolidated level, the leverage ratio improved to 1.1x in FY18 (FY17: 3.1x) and debt/equity decreased to 0.8x (1.5x). The improvement in credit metrics was also to an extent driven by increased scale of operations and improved profitability, which also led to consolidated interest coverage improving to 4.8x in FY18 (FY17: 3.4x). Ind-Ra expects a further improvement in the consolidated interest coverage in FY19, driven by a reduction in interest costs post deleveraging. Net leverage is likely to remain range bound in FY19.

**Improved Financial Performance:** Consolidated revenue grew 21% yoy to INR19.5 billion in FY18, supported by double-digit volume growth in the two wheeler (2W) industry and a ramp-up of STL's new capacities. Domestic revenues grew 23% yoy and overseas 8% yoy. Consolidated EBITDA margin improved to 10.7% in FY18 (FY17: 9.0%), backed by the economies of a larger scale. Standalone margin (domestic operations) grew to 11.1% in FY18 (FY17: 9.2%), whereas overseas margins remained almost stable. The management expects strong revenue growth in FY19-FY20, backed by growth in the domestic 2W volumes and capacity additions done in FY18.

**Diversified Product Offerings with Strong Competitive Positioning:** STL's portfolio comprises various categories of products including safety and security systems such as lock assemblies, mirror assemblies, operator cabins for off-highway vehicles, as well as wheel and brake panel assemblies and sheet metal components.

STL has an established position in the domestic auto ancillary industry. It is a sole supplier of lock sets and mirror assemblies to Hero MotoCorp Limited and TVS Motors Limited for motorcycles. Moreover, it is a single-source supplier of wheel assemblies to TVS Motors. Hero MotoCorp and TVS Motors collectively accounted for 51% of 2W sales in India in FY18. The sole supplier position for various original equipment manufacturers (OEMs) makes STL the market leader in 2W locking systems and commercial vehicle rear view mirrors. It is also among the top three players in 2W rear view mirrors and operator cabins for off-highway segment and in the 2W steel wheels market.

**Technological Tie-ups:** STL has a technical collaboration with Honda Locks Manufacturing Company, which has helped it in establishing itself as the single-source supplier of lock set assemblies to leading OEMs. In addition, STL has entered into four new joint ventures in 2017-2018, with an aim to gain technological expertise, enabling it to expand majorly in the safety and security related component offerings as well as in the passenger vehicle segment. STL has been focusing on supplying

higher content per vehicle to existing customers and continues to explore JVs with international auto component suppliers for the same. It also has an in-house research & development center for new product development as well as product upgrades.

**Comfortable Liquidity:** STL registered positive cash flow from operations over FY14-FY18 (FY18: INR1,462 million), driven by stable operating profits and low working capital requirements. Also, net cash conversion cycle remained short at 16 days in FY18 (FY17: 25 days). Its average peak utilisation of the fund-based working capital limits was about 90% of the drawing power (64% of sanctioned limit) for the 12 months ended July 2018. It reported a negative free cash flow of INR484 million in FY18 due to a capex of INR1,761 million. Ind-Ra expects free cash flow to improve in FY19 with an increase in cash flow from operations and a lower cash outgo towards capex and interest payments in FY19-FY20.

**Declining-but-Significant Revenue Concentration:** STL continues to have significant revenue concentration in the 2W segment (FY18: around 70%). The company is focusing on revenue diversification into passenger vehicles and commercial vehicles by penetrating into new OEMs and capturing opportunities from changing emission norms. STL's dependency on its two top customers has reduced over the years to 53% in FY18 (FY13: 62%), but remains substantial.

## RATING SENSITIVITIES

**Positive:** A substantial increase in the scale of operations and profitability, better product and customer diversification while maintaining the current leverage ratio on a sustained basis could result in a rating upgrade.

**Negative:** A significant decline in the consolidated revenue and profitability margin and/or consolidated net adjusted leverage exceeding 1.5x on a sustained basis would result in a rating downgrade.

## COMPANY PROFILE

STL manufactures locking systems, mirror assemblies, sheet metal components, plastic injection mouldings, wheel assemblies, handle bars assemblies, clutches assemblies and brake panel assemblies at its various operating units in India. It is publicly listed (from March 2018) with promoters owning 70% stake.

### FINANCIAL SUMMARY (Consolidated)

Particulars	FY18	FY17
Net revenue (INR million)	19,464	16,114
EBITDA (INR million)	2,083	1,467
EBITDA margin (%)	10.7	9.1
EBITDA interest coverage (x)	4.8	3.4
Net leverage (x)	1.1	3.1
Source: STL, Ind-Ra		

## RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	28 June 2018	26 December 2017	6 December 2016
Issuer rating	Long-term	-	IND AA-/Stable	IND A+/Stable	IND A+/Stable	IND A+/Stable
Long-term loans	Long-term	INR2,223.9	WD	IND A+/Stable	IND A+/Stable	IND A+/Stable
Fund-based working capital limits	Long-/short-term	INR1,550	IND AA-/Stable/IND A1+	IND A+/Stable/IND A1+	IND A+/Stable/IND A1+	IND A+/Stable/IND A1+
Non-fund-based working capital limits	Long-/short-term	INR262.5	IND AA-/Stable/IND A1+	IND A+/Stable/IND A1+	IND A+/Stable/IND A1+	IND A+/Stable/IND A1+
Non-fund-based working capital limits	Long-/short-term	EUR9	IND AA-/Stable/IND A1+	IND A+/Stable/IND A1+	IND A+/Stable/IND A1+	IND A+/Stable/IND A1+
Commercial paper	Short-term	INR400	IND A1+	IND A1+	IND A1+	IND A1+

## COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-instruments>.

## SOLICITATION DISCLOSURES

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## Applicable Criteria

Corporate Rating Methodology

## Analyst Names

Primary Analyst

**Richa Bulani**

Senior Analyst

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