SANDHAR
Growth. Motivation. Better Life

Ref: STL / REG-30 /BSE / NSE / 2019-2020 / 52

Dated: 26th October, 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 Rating & Research has affirms the Rating of the Company with a Long-Term Issuer Rating at 'IND AA-'. The Outlook is Stable as per the Rating Rationale enclosed herewith.

We request you to take the same on record.

Thanking You

Yours faithfully,

FOR SANDHAR TECHNOLOGIES LIMITED

ARVIND JOSHI
Digitally signed by ARVIND JOSHI
Date: 2019.10.26 10:34:22 +05'30'

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

Encl: As above

IndiaRatings
&Research
A Fitch Group Company

India Ratings Affirms Sandhar Technologies at 'IND AA-'/Stable

25

OCT 2019

By Kanika Goyal

India Ratings and Research (Ind-Ra) affirms Sandhar Technologies Limited's (STL) Long-Term Issuer Rating at 'IND AA-'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limits	-	-	-	INR1,490 (decreased from INR1,550)	IND AA-/Stable/A1+	Affirmed
Non-fund-based working capital limits	-	-	-	INR1,730 (increased from INR262.5)	IND AA-/Stable/A1+	Affirmed
Commercial Paper*	-		Up to 270 days	INR800	IND A1+	Affirmed

*Carved out of fund based working capital limits
*Including EUR9 million non-fund based working capital limits

KEY RATING DRIVERS

Diversified Product Offering with Strong Competitive Positioning: STL's portfolio comprises 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 enjoys 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.

Technological Tie-ups: STL has a technical collaboration with Honda Locks Manufacturing Company, which has helped the former in establishing itself as the single-source supplier of lock set assemblies to leading original engine manufacturers (OEMs). Additionally, STL entered three new joint ventures (JVs) in FY19 and two more year-to-date in FY20 to gain technological expertise, thereby enabling it to expand 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.

Revenue Growth and Profitability to Moderate in FY20: While consolidated revenue grew at strong 20% yoy to INR23,358 million in FY19 (FY18: INR19,464 million), the company reported 3.3% yoy decline in 1QFY20 consolidated top line to INR 5,517 million (1QFY19: INR 5,707 million), in line with decline in industry two wheeler (2W) sales. Two-wheeler (2W) segment, which grew at 24.1%, contributed 66% to FY19 revenue. In 1QFY20, the decline in STL's revenue was lower than industry auto volume decline of 12% due to STL's expansion into newer segments like passenger cars (21.75%), off-road highway vehicles (13.39%) and others (5.54%) and higher value addition. 1QFY20 segment-wise revenue break-up is based on standalone numbers.

Ind-Ra expects auto industry to report negative volume growth in FY20, and in accordance, the company is likely to register negative revenue growth. However, the agency expects STL to report lower de-growth than industry given its focus on diversification and new product additions.

STL's modest EBITDA margins remained stable at 10.8% in FY19 (FY18:10.7%); however, it declined to 9.9% in 1QFY20, in line with industry trend. Ind-Ra expects margins to decline by 100 basis points yoy in FY20. Raw material cost pass through contracts with customers with partly support profitability.

Leverage to Remain Comfortable in FY20 in Absence of Debt-led Capex: In FY19, net leverage (net debt/EBITDA) remained flat at 1.1x in FY19 as the increase in net debt at INR2,643 million (FY18: INR2,254 million) was offset by improved operating performance with EBITDA rising to INR2,515 million (FY18: INR2,083 million) on account of higher sales in FY19. Total adjusted debt reduced to INR2,776 million in FY19 (FY18: INR4,872 million) as the company used IPO proceeds to repay domestic term loan, out of which term debt was INR153 million (INR2,756 million) and short-term loans were INR2,595 million (INR2,080 million). Term loans worth INR 2,545 million were completely repaid in FY19 using IPO proceeds. Hence, total term debt in FY19 reduced to INR153 million. Short-term loans increased to INR2,595 million in FY19 (FY18: INR2,080 million), in line with increasing sales. Interest coverage (EBITDA/interest expense) rose to 10.5x in FY19 (FY18: 4.8x) on account of improved profitability and lower interest expense at INR 239 million from INR 432 million in FY18.

In 1QFY19, leverage rose to 1.4x on account of higher debt at INR 3,208 million and reduced profitability at 9.9%. Ind-Ra expects credit metrics to deteriorate from

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

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

Applicable Criteria

Corporate Rating Methodology

Analyst Names

Primary Analyst

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