KAG® AUTO PARTS

HIM TEKNOFORGE LTD.
(formerly known as Gujarat Automotive Gears Limited)

HIM

Regd. Office & Works : Village Billanwali, Baddi-173 205, Distt. Solan (Himachal Pradesh), INDIA
Phone : +91-7807777941, 7807777942, Fax : +91-1795-245467, CIN No.: L29130HP1971PLC000904

To, **Date: 16.07.2024**
Corporate Relationship Department,
Bombay Stock Exchange
Ground Floor, Phiroze Jeejeeboy Tower,
Dalal Street Fort,
Mumbai-400001.

Scrip code: 505712
Subject: Disclosure under Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
Dear Sir,
Pursuant to Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule Ill, we would like to inform you that Infomerics Valuation and Rating Private Limited vide its press release dated 15th July, 2024, assigned and has Reaffirmed the company earlier ratings:

Instrument/Facility	**Current Rating**	**Previous Rating**	**Rating Action**
Long term Bank Facilities	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	Re-affirmed
Long Term Bank Facilities	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	–	Assigned
Short Term bank Facilities	IVR A2 (IVR A two)	IVR A2 (IVR A two)	Re-affirmed

Copy of the credit rating press release is enclosed.
You are requested to kindly take the above on your records.

For Him Teknoforge limited

HIMANSHU KALRA
Digitally signed by HIMANSHU KALRA
Date: 2024.07.16 11:32:01 +05'30'

Himanshu Kalra
Company Secretary & Compliance officer
Manager
Secretarial & Legal

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TÜV SÜD ISO / TS 16949:2009 NABCB QM011

Press Release

Him Teknoforge Ltd

July 15 , 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	165.63	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	Re-affirmed	Simple
Long Term Bank Facilities	22.37	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	-	Assigned	Simple
Short Term bank Facilities	24.00	IVR A2 (IVR A two)	IVR A2 (IVR A two)	Re-affirmed	Simple
Total	**212.00**	**(Rupees Two Hundred and Twelve Crores only)**			

Details of Facilities are in Annexure 1

Facilities wise lender details are at Annexure – 2

Detailed explanation of covenants is at Annexure – 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed/assigned the long-term rating to IVR BBB+ with a Stable outlook and short term rating as IVR A2 for the bank loan facilities of Him Teknoforge Ltd.

The reaffirmation in the rating assigned to the bank loan facilities of Him Teknoforge Ltd. (HTL) continues to derive comfort from its established track record of operations under experienced management and stable business performance in FY24 along with moderate debt protection metrices. The ratings also continue to consider its diversified product profile catering to various segment coupled with its reputed clientele base albeit customer concentration risk. However, these rating strengths continues to remain constrained by its elevated total debt leading to leveraged capital structure, susceptibility of profitability to volatility in raw material prices, working capital-intensive nature of its business, exposure to high competition and exposure to cyclicity in the automobile industry and weak performance of tractor segment which is the major revenue generator of the company.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the Him teknoforge Limited business & financials risk profile will be maintained over the over the medium term considering the overall risk profile of the company.

IVR has principally relied on the standalone audited financial results of Him Teknoforge Ltd up to FY24(A) (Review Period from April 01, 2023 to March 31, 2024) and three years projected financials till FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income above 500 Crore & improvement in operating margin and cash accrual.
- Improvement in working capital management with improvement in liquidity.
- Improvement in the capital structure with improvement in debt protection metrics on a sustained basis.
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Moderation in operating income and/or moderation in cash accrual impacting the debt protection metrics on a sustained basis.
- Stretch in the working capital cycle driven by stretch in receivables, or sizeable capital expenditure weakening the financial risk profile, particularly liquidity.
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x and deterioration in TOL/TNW to over 2x.
- Adverse decision by the honourable high court in the matter of IFCI Venture Fund pledge of shareholding of promoter

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the auto component industry and longstanding relationships with customers

HTL was established in 1971 by Mr Vijay Aggarwal, having an experience of more than 4 decades in the auto component industry. The extensive experience of the management has helped the company to establish a strong relationship with it's customer such as Mahindra & Mahindra, Ashok Leyland, Bharat Gears Limited etc and to agricultural equipment & tractor manufacturers such as Sonalika Tractors. The company has clientele spread across the world with reputed clientele albeit customer concentration.

Stable business performance in FY23 though moderation expected in FY24

The total operating income (TOI) of the company has witnessed a steady y-o-y growth of ~15.59% in FY23 as the topline has improved and stood at Rs. 406.45 crores against to Rs.351.64 crore in FY22 on the back of higher sales volume and increase in sales realisation. Backed by rise in TOI, the absolute EBITDA has improved from Rs.31.89 crore in FY22 to Rs.36.53 crore in FY23. EBITDA margin through slightly moderated owing to higher overhead cost, continues to remain healthy at 8.99% in FY23 against 9.07% in FY22. The PAT margin of the company though remained thin over the years mainly due to its high depreciation expenses and leveraged capital structure leading to higher interest outgo has improved to 2.59% in FY23 over 2.47% in FY22. Further, gross cash accruals of the company have improved and remained comfortable at Rs.21.98 crore in FY23 against Rs.19.24 crore in FY22 to support its debt obligations. In FY24, HTL has managed to churn out revenue of ~Rs. 373.42 crores with a comfortable operating margin of ~9.22%. Primarily, downward trend in the tractor segment in the present fiscal coupled with the softening of steel prices has led to reduction in the topline in FY 2023-24.

Diversified product profile catering to various segment types

HTL is engaged in the business of manufacturing of various types of axles, shafts & gears which diversify its product profile. These products find application in various automotive segments viz. tractors, commercial vehicles, and off-road vehicles.

Moderate Debt Protection Metrics

Debt protection parameters of the company remained adequate over the years driven by its healthy operating profit and comfortable gross cash accruals. The interest coverage ratio though moderated yet remained satisfactory at 1.97x in FY24 driven by constant EBITDA despite increase in finance cost. Owing to increase in debt level in FY24, Total Debt to EBITDA and Total Debt to GCA both moderated and continues to remain high at 4.04x and 7.87 years respectively as on March 31, 2024, against 4.04x and 6.72x respectively as on March 31, 2023.

Key Rating Weaknesses

Revenue concentration risk

The company is exposed to revenue concentration risk as its top-5 customers accounted for ~56.37% of the total operating income in FY24 which has come down from ~59.13% of FY23. On the other hand, the company derived a major portion (~45%-50%) of its revenue from tractor manufacturing industry. However, the customer concentration risk is mitigated to some extent as the major revenue contributors of the company are well established players in the automobile industry and tractor industry in India has relatively stable demand. Furthermore, HTL has established relationships with its clients and receives regular orders from them.

High competition and cyclicality in the tractor/construction equipment segment

The automobile component industry is cyclical in nature and automotive component suppliers' sales and tractors' segment sales are directly linked to sales of auto OEMs and economic movements. Furthermore, the auto-ancillary industry is competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment primarily caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers. However, established position of the HTL and strong relationship with the OEMS given a competitive advantage.

Working capital intensive nature of operations

Being in auto ancillary industry, the operations of HTL are working capital intensive mainly due to its high receivables and large inventory holding requirements. HTL extends credit of around 50-60 days to its customers and maintained average inventory of around 5-6 months, while credit received has been around 30-50 days. Reliance on working capital borrowings has, therefore, been moderate with ~90.50% working capital limit utilisation in the past 12 months ended May 2024.

Dispute between the IFCI Venture Capital Fund and promoters over invocation of pledged shares :

The Company- Him Teknoforge Ltd.- Unlisted (before merger with Gujarat Automotive Gears Ltd.) has raised private equity funds from IFCI Venture Capital Fund in May, 2011. The Promoters of the Company pledged their shares of 14.38 lakhs with IFCI-V in pursuance of the Investment Agreement. As per the agreement the shares of the company are to be listed in stock exchange and to comply this condition, the company merged with Gujarat Automotive Gears Ltd (listed in BSE) on Sept., 2013. The whole process of merger and listing of new shares (allotted to the shareholders of HTL) was completed in March 2018 and in Feb 2019, IFCI-Venture initiated the process for invocation of pledged shares of the promoters. The promoters have filed petition before the Hon’ble High Court of Punjab & Haryana for restraining the IFCI-V for invocation of pledge and release of pledged shares. The Hon’ble High court admitted the petition of the Promoters and has granted interim stay on sale of shares. An adverse outcome of the case may result in reduction of promoter and promoters group shareholding, exposing the company to some level of management risk.

Analytical Approach: Standalone

Applicable Criteria :

Rating Methodology for manufacturing entities
Financial Ratios & Interpretation Non- Financial Sector
Criteria for assigning rating outlook
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity of the company is expected to remain adequate on the back of its expected adequate cash accruals. In FY24, MGPL had generated gross cash accrual of Rs.19.00 Cr against its debt repayment obligation of Rs.18.27 crore. Further, HTL is also expected to generate steady cash accrual over the near medium term against its repayment obligation in the range of~Rs.17.41-14.50 crore during FY25-FY27. Moreover, the average utilisation of its cash credit limit remained moderate at ~90.50% in the past 12 months ended May 2024 indicating a moderate liquidity buffer. However, due to its leveraged capital structure the company is having a limited gearing headroom.

About the Company

Him Teknoforge Limited was established in 1973 by Mr. Vijay Aggarwal at Baddi. The company is engaged in manufacturing of alloy steel forgings, finished gears & axles, shafts, assemblies and non-assemblies for the automotive industry, mainly the commercial auto manufacturers. It has six manufacturing units in the following locations: Baddi (two) and Manpura (one) in Himachal Pradesh , Gujarat (one) and Pithampur (two) in Madhya Pradesh. The Company amalgamated with– Gujarat Automotive & Gears Limited (BSE listed company) which was approved by NCLT via order dtd. 09.01.2018.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	406.45	373.42
EBITDA	36.53	34.42
PAT	10.70	7.12
Total Debt	147.71	149.48
Tangible Net worth*	167.65	174.71
EBITDA Margin (%)	8.99	9.22
PAT Margin (%)	2.59	1.89
Overall Gearing Ratio (x)	0.88	0.86
ISCR (x)	2.16	1.97

**as per Infomerics standards*

Status of non-cooperation with previous CRA : Not Applicable

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : May 19, 2023	Date(s) & Rating(s) assigned in 2022-23 Dated : June 28th, 2022	Date(s) & Rating(s) assigned in 2021-22
1	Term Loan	Long Term	78.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	-
2.	Cash Credit	Long Term	110.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	-

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : May 19, 2023	Date(s) & Rating(s) assigned in 2022-23 Dated : June 28th, 2022	Date(s) & Rating(s) assigned in 2021-22
3	BG/LC	Short Term Term	22.00	IVR A2 (IVR A two)	IVR A2 (IVR A two)	IVR A2 (IVR A two)	-
4	CEL	Short Term Term	2.00	IVR A2 (IVR A two)	IVR A2 (IVR A two)	IVR A2 (IVR A two)	

Name and Contact Details of the Rating Analyst:

Name: Mr. Om Prakash Jain

Tel: (011) 45579024

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan			-	78.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)
Long Term Bank Facilities – Cash Credit			-	110.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)

Short Term Bank Facilities – Bank Guarantee / Letter of Credit			-	22.00	IVR A2 (IVR A two)
Short Term Bank Facilities - CEL			-	2.00	IVR A2 (IVR A two)

Annexure 2: Facility wise lender details: As per attached annexure

Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com