



September 22, 2010

ICRA assigns LBB rating to the bank facilities of Endurance Magneti Marelli Shock Absorbers (India) Private Limited

ICRA has assigned an LBB (pronounced L double B) rating with stable outlook to the Rs. 18.0 crore¹ long-term loan and Rs 4.0 crore cash credit facility of Endurance Magneti Marelli Shock Absorbers (India) Private Limited (EMM)[†].

The rating recognizes the professional and experienced management along with financial flexibility provided by its promoter MM and Endurance group. ICRA also derives comfort from technology support provided by MM which is an incumbent supplier of shock absorber to Fiat vehicles and amongst the leading shock absorber manufacturers in the world which mitigates technology risk to an extent. The rating is however constrained by EMM's limited track record; weak capital structure with high gearing (3.92 times, FY10); strained cash flows and low capacity utilization. ICRA also notes that shock absorber market in India is highly competitive and dominated by well entrenched domestic as well as global players. ICRA believes that the expected management and technical support from the promoters, apart from their extensive experience and relationships, would help EMM to obtain adequate business in its product segments despite strong competition.

Company Profile

Endurance Magneti Marelli Shock Absorbers (India) Private Limited (EMM) is a 50:50 JV between Magneti Marelli s.p.a (MM), a Fiat group company and Endurance Technologies Private Limited (ETPL). EMM will specifically deal in the design, production and marketing of shock absorbers, including semi-corner modules and gas springs, for cars and commercial vehicles. The products would be aimed at local and international car makers operating in the Indian sub-continent and in nearby regions. ETPL was earlier supplying suspensions for 4-wheelers in domestic aftermarket, which has been now transferred to EMM. The company has set up a manufacturing unit at Chakan (near Pune) with an annual capacity to manufacture 2.3 million shock absorbers and 1.0 million gas spring units. The company has recently entered into new agreement with MM will be transferring its 3.5 million shock absorber capacity from Brazil to India and thereby taking overall capacity to 5.8 million units annually.

Recent Result

In FY10, EMM has reported an operating loss of Rs 7.23 crore on an operating income of Rs 10.39 crore. EMM started its operations from second half of FY10 and overall utilization remains low during last fiscal, resulting in losses at operating level.

August 2010

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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