

September 13, 2024

Aptiv Components India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short -term – Fund/ Non-Fund based limits	80.00	80.00	[ICRA]AA-(Stable)/ [ICRA]A1+; reaffirmed
Total	80.00	80.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation considers expectation of continued steady operating and financial performance of Aptiv Component India Private Limited (ACIPL), driven by its healthy share of business (SoB) and customer diversification in the electrical distribution systems (EDS; wiring harness business) division and expected ramp-up in business in the technology centre (TCI) and advanced safety and user experience (ASUX) businesses. A healthy growth in revenues over the medium term is expected to help the company generate strong cash accruals, and maintain a strong credit profile. The ratings also continue to favourably factor in ACIPL's strong parentage as a wholly-owned subsidiary of Aptiv PLC (rated Baa2 Stable by Moody's). The company continues to benefit from technological support from its parent entity, which is likely to help it continue to meet its customer requirements, going forward.

ICRA notes that the company's scale has ramped up over the last few years, aided by the organic growth of its customers and expansion of its customer base. It registered a revenue rise of ~15% to ~Rs. 4,261 crore in FY2024 (provisional financials), aided by healthy growth in EDS and TCI divisions. Going forward, the company's growth in the EDS division is expected to be driven by new model wins, including electric vehicle (EV) models, and presence in several high selling models. The company has also set up a new plant for its ASUX business recently. A ramp-up in supplies for businesses gained from leading original equipment manufacturers (OEM) is expected to lead to a healthy growth in revenues for the ASUX division over the next few years. In addition, the ongoing workforce expansion in the TCI division enhances the company's revenue prospects over the medium term.

The company continues to maintain a strong financial risk profile and liquidity position, characterised by nil debt, surplus cash balances (~Rs. 180 crore as of July 2024) and unutilised working capital limits. Despite moderate capex plans over the near term, ICRA expects ACIPL's credit indicators to remain robust, going forward, as well, aided by expectation of healthy cash flow from operations. ICRA notes that the company's profit margins moderated to ~9.8% in FY2024 (provisional financials), impacted by both inflationary pressure and commencement of royalty payment to its parent entity. Even as the royalty outgo is expected to continue going forward, leading to a moderation in the operating profitability vis-à-vis the historical levels, the operating margins are expected to remain at moderate-to-healthy levels.

The long-term rating remains constrained to an extent by the company's high segment concentration on the passenger vehicle (PV) sector, vulnerability of profitability to foreign exchange fluctuations due to high raw material import content (in the EDS division in particular) and stiff competition from both domestic and international players. The risks are mitigated to an extent by the company's established relationships with its various customers and its diversified business profile.

The Stable outlook on the long-term rating reflects ICRA's expectation that ACIPL will continue to benefit from its strong parentage as a subsidiary of Aptiv PLC, helping it record steady earnings, and maintain its comfortable business and financial profile, going forward.

Key rating drivers and their description

Credit strengths

Strong business, technology and financial support from parent entity, Aptiv PLC – The company receives significant support from its ultimate parent company, Aptiv PLC, in the form of technical knowhow, which has aided its revenue growth prospects over the years, helping it gain business from various OEMs. ICRA also expects the parent entity to extend financial support to ACIPL, if required.

Diversified product portfolio of integrated wiring harnesses, body control modules, immobilisers and audio systems, etc. – ACIPL continues to report healthy revenue growth in its EDS division over the last three years, supported by business wins for new models, healthy demand for several existing models and revival in demand in the automobile industry. The company continues to win new businesses in the EDS division and continues to enjoy a healthy SoB with various OEMs, which will drive revenue growth over the near-to-medium term. ACIPL's technical centre provides R&D and technology services to various Group companies globally and acts as a technical support system for the India business as well. Aided by the ongoing workforce expansion in the division, it reported a healthy revenue growth of ~22% in FY2024. ICRA expects revenues from this division to further scale up over the near term. The revenues from the ASUX division, which manufactures components such as immobilisers, navigation systems, body control modules and infotainment systems for PVs, remained muted in FY2024. Nevertheless, a significant growth in this division is expected over the near term, aided by new order wins from different OEMs that will aid the company's overall profitability in the medium term. The company has recently set up a state-of-the-art plant under the ASUX division in Chennai with a capex of ~\$45 million to cater to the rising demand of multimedia systems in PVs.

Healthy market share in wiring harness segment and ongoing expansion in TCI division provide strong revenue visibility – The company's scale has improved significantly over the last three years on the back of new business from its existing customers as well as acquisition of new customers, especially in its EDS division. The EDS division grew by ~10% on a YoY basis in FY2024, aided by underlying demand drivers of the PV industry and robust demand for the models serviced by ACIPL. Over the years, the company has improved its SoB with its key customers owing to its presence in many of the higher volume models of OEMs, which has supported its business prospects. Going forward, the company's growth in the EDS division is expected to be driven by new model wins, including EV models, and presence with several high-selling models. In addition, the ongoing expansion of workforce in the TCI division enhances ACIPL's revenue prospects over the medium term.

Healthy financial risk profile with no debt and surplus cash balances – The company's financial risk profile is strong, characterised by nil debt, unutilised working capital facilities and surplus cash balances (~Rs. 180 crore as on July 31, 2024). This is further supported by moderate capex requirements and healthy cash flow from operations.

Credit challenges

Susceptibility of operating margins to foreign exchange fluctuations due to high raw material import content – The company has high import content in the EDS division (35-40% of raw material costs), as it imports several parts such as engine cables, fuses and clips, which exposes it to foreign exchange rate fluctuation risk. However, the risk is mitigated to an extent by its pass-through clause with customers and the currency hedging undertaken by its parent company on a quarterly basis.

Stiff competition from domestic and international players; mitigated to an extent by established customer relationships – ACIPL faces significant competition from domestic and international players for its wiring harness as well as advanced safety and user experience products. Although the EDS division has grown significantly over the last three years, its scale of operations remains lower than Motherson Sumi Wiring India Limited (MSWIL), the market leader in the wiring harness business for the domestic PV industry,. Along with its group company, Kyungshin Industrial Motherson Limited (KIML), MSWIL enjoys leadership position in the domestic PV industry and healthy SoB in the domestic CV industry. Besides MSWIL and KIML, ACIPL also faces competition from other domestic incumbents, such as Furukawa Minda Electric Pvt. Ltd. and Yazaki India Private Limited. Nevertheless, ACIPL's established relationship with its customers continues to support its business prospects and mitigate the risk to some extent.

High segment concentration in PV sector; diversified customer mix mitigates risk to an extent – Most of ACIPL’s sales (excluding from the TCI division) are generated from the domestic PV segment, which makes its earnings susceptible to the performance of the domestic PV industry. However, the high segment concentration risk is partially mitigated by the company’s diversified customer mix with its top five customers accounting for ~72% of its total sales in FY2024, as well as by its presence in the TCI business (~20% of revenues).

Liquidity position: Strong

ACIPL’s liquidity position remains strong, supported by healthy cash flows, surplus cash balances (~Rs. 180 crore as of July 31, 2024) and unutilised working capital limits of Rs. 80.0 crore. ICRA expects the company to maintain its strong liquidity profile, going forward, aided by expectation of healthy cash flow from operations, moderate capex plans (Rs. 200-250 crore in FY2025) and no debt repayments.

Rating sensitivities

Positive factors – The company’s ability to strengthen its business profile by securing new businesses and further improve its market share with PV OEMs or diversify into other automotive segments, while maintaining comfortable profitability and comfortable credit metrics, will be considered favourably for an upward revision in the long-term rating. An improvement in the credit profile of the parent company could also trigger a positive rating action.

Negative factors – The ratings could face pressure in case of significant weakening in the credit profile of its parent company or weakening of operational linkages with the parent company. The ratings could also be downgraded in case of deterioration in the company’s financial profile due to loss of business or any large debt-funded capex. Specific credit metric that could lead to ratings downgrade include Total Debt/ OPBITDA of more than 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Parent company: Aptiv PLC (rated Baa2/Stable by Moody’s) The rating assigned to ACIPL factors in the very high likelihood of its parent entity, Aptiv PLC, extending financial support to it because of the close business linkages between them. ICRA also expects Aptiv PLC to be willing to extend financial support to ACIPL out of its need to protect its reputation from the consequences of a group entity's distress
Consolidation/Standalone	The rating is based on the standalone financial statements of the issuer

About the company

Aptiv Components India Private Limited (ACIPL, erstwhile Delphi Automotive Systems Private Limited) was incorporated in April 1995 as a wholly-owned subsidiary of Aptiv PLC (erstwhile Delphi PLC). The company operates through three major divisions in India — a) Electrical distribution systems (EDS; which represents the wiring harness business and contributes ~80% to the company’s revenues), b) Technology centre (TCI; 18-19% of revenues), which is a captive software development centre that provides engineering services to Aptiv entities globally and c) Advanced safety and user experience (ASUX; 1-2% of revenues).

Within the wiring harness segment, ACIPL is positioned as the third largest company by market share. It has a well-diversified product portfolio as well as customer profile with sales to OEMs such as Mahindra and Mahindra (M&M), Tata Motors Limited (TML), Ford, Hyundai Motor India Limited (HMIL), Volkswagen (VW) and MG Motors. ACIPL has four manufacturing facilities—two in Chennai, and one each in Dharuhera (Haryana) and Pune (Maharashtra). Most of the models serviced by ACIPL are passenger vehicles.

Key financial indicators (audited)

ACIPL Standalone	FY2022	FY2023
Operating income	2,634.6	3,697.2
PAT	270.7	369.7
OPBDIT/OI	17.5%	17.5%
PAT/OI	14.0%	13.5%
Total outside liabilities/Tangible net worth (times)	0.9	0.7
Total debt/OPBDIT (times)	0.3	0.2
Interest coverage (times)	33.1	27.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 13, 2024	Date	Rating	Date	Rating	Date	Rating
Long term / short term-others-fund based/non fund based	Long Term/ Short Term	80.00	[ICRA]AA-(Stable)/[ICRA]A1+	27-JUN-2023	[ICRA]AA-(Stable)/[ICRA]A1+	17-JUN-2022	[ICRA]AA-(Stable)/[ICRA]A1+	17-AUG-2021	[ICRA]AA-(Stable)/[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short -term – Fund-based/Non-Fund based limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term/ Short-term – Fund/ Non-Fund based limits	NA	NA	NA	80.00	[ICRA]AA-(Stable)/ [ICRA]A1+

Source: Company

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Annexure II: List of entities considered for consolidated analysis – Not Applicable

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