# Samvardhana Motherson International Limited

| Instrument | Amount | Rating Action |
|---|---|---|
| NCD Programme | Rs. 120.0 Crore | [ICRA]AA- (stable) assigned |

ICRA has assigned a long term rating of [ICRA]AA- (pronounced as ICRA double A minus) for a further Rs. 120.0 Crore Non Convertible Debenture (NCD) Programme of Samvardhana Motherson International Limited (SMIL).ICRA has a long term rating of [ICRA]AA- (pronounced as ICRA double A minus) outstanding for the Rs. 600.0 Crore Non Convertible Debenture (NCD) Programme of Samvardhana Motherson International Limited (SMIL). The outlook on the long term rating is 'stable'.

The rating assigned factors in SMIL's status as the principal holding company of Motherson Sumi Systems Limited (MSSL, rated [ICRA]AA(stable)/[ICRA]A1+), the flagship company of the Samvardhana Motherson Group (SMG), India's leading full-system solution provider for the automotive industry. Apart from being the largest shareholder in MSSL (36.93% as on date), the company also acts as the holding company for other companies in SMG operating across various product segments, thereby providing diversification benefits. Moreover, SMG's large acquisitions have been done in 51:49 partnerships by MSSL and SMIL respectively. SMG has a well diversified customer base and established relationships with major automotive Original Equipment Manufacturers (OEMs), both in the domestic as well as the overseas market. Additionally, despite primarily being on the automotive industry, the group's revenues are well diversified across products lines and automotive segments.

SMIL's shareholding in MSSL provides the company significant financial flexibility, while also providing a steady flow of revenues in the form of dividend income. The rating also takes into account the underlying security for the NCD programme, in the form of shares of MSSL to be pledged with the lenders. ICRA notes that the market value of SMIL's investment in MSSL remains vulnerable to market-related risk with regard to any adverse movement in share price of MSSL. Moreover, SMIL's cash flows on a standalone basis continue to remain linked to the performance of its investee companies (primarily dividend from MSSL), and the company remains exposed to refinancing risk to meet its debt repayments. It also has significant commitments towards supporting investment requirements of its various investee companies going forward and any inorganic growth plans of SMG could lead to increased indebtedness for the company. Nonetheless, ICRA continues to draw comfort from the management's financial discipline and its stated intention to restrict the quantum and tenure of debt to be availed to fund the group's investment plans.

**Key Covenants[1] for SMIL's Compliance**

- SMIL shall continue to hold at least 26% shareholding and management control of MSSL during the tenure of the facility.
- Promoters shall continue to hold at least 51% shareholding in SMIL during the tenure of the facility
- Total indebtedness (including Corporate Guarantees) of SMIL to be capped at USD 450.0 million
- SMIL to maintain at least 27% unencumbered shareholding out of the total shareholding in MSSL held by SMIL during the tenure of the facility

**Company Profile**

SMIL is the principal holding company of the Samvardhana Motherson Group (SMG), whose flagship company is Motherson Sumi Systems Limited. The group has diversified businesses including rear view vision systems, wiring harnesses, polymer processing, automotive lighting products, heating and ventilation and air-conditioning systems among others. SMIL has equity investments in a large number of companies with its major investee companies in terms of revenue contribution being: (1) Motherson Sumi Systems Limited, (2) Samvardhana Motherson Reflectec, (3) Samvardhana Motherson Peguform.

SMIL is promoted by Mr. V. C. Sehgal, who is the current Chairman of the company. Mr. Sehgal and his family along with other promoter group companies hold 90.35%. Additionally, equity stake of 6.46% is held by Sojitz Corporation, a Japan based trading corporation, with diversified interests in construction, petroleum, textiles, chemicals, mining etc.

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[1] These covenants are applicable to the entire NCD programme of the company

*For further details, please contact:*
*<u>Analyst Contacts:</u>*
**Mr. Subrata Ray** (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

**Anupama Arora** (Tel. No.+91 124 4545 303)
anupama@icraindia.com

**Rohan Kanwar Gupta** (Tel. No.+91 124 4545 808)
rohan.kanwar@icraindia.com

*<u>Relationship Contacts:</u>*
**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

**Registered Office**
**ICRA Limited**
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office**
**Mr. Vivek Mathur**
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

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|---|---|
| **Mumbai**<br>**Mr. L. Shivakumar**<br>Mobile: +**91 9821086490**<br>Email: shivakumar@icraindia.com<br><br>3rd Floor, Electric Mansion<br>Appasaheb Marathe Marg, Prabhadevi<br>Mumbai—400025,<br>Board : +91-22-61796300; Fax: +91-22-24331390 | **Kolkata**<br>**Mr. Jayanta Roy**<br>Mobile: **+91 9903394664**<br>Email: jayanta@icraindia.com<br><br>A-10 & 11, 3rd Floor, FMC Fortuna<br>234/3A, A.J.C. Bose Road<br>Kolkata—700020<br>Tel +91-33-22876617/8839 22800008/22831411,<br>Fax +91-33-22870728 |
| **Chennai**<br>**Mr. Jayanta Chatterjee**<br>Mobile: +**91 9845022459**<br>Email: jayantac@icraindia.com<br><br>5th Floor, Karumuttu Centre<br>634 Anna Salai, Nandanam<br>Chennai—600035<br>Tel: +91-44-45964300; Fax: +91-44 24343663 | **Bangalore**<br>**Bangalore**<br>**Mr. Jayanta Chatterjee**<br>Mobile: +**91 9845022459**<br>Email: jayantac@icraindia.com<br><br>'The Millenia'<br>Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2,<br>Murphy Road, Bangalore 560 008<br>Tel: +91-80-43326400; Fax: +91-80-43326409 |
| **Ahmedabad**<br>**Mr. L. Shivakumar**<br>Mobile: +**91 9821086490**<br>Email: shivakumar@icraindia.com<br><br>907 & 908 Sakar -II, Ellisbridge,<br>Ahmedabad- 380006<br>Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231 | **Pune**<br>**Mr. L. Shivakumar**<br>Mobile: +**91 9821086490**<br>Email: shivakumar@icraindia.com<br><br>5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020<br>Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231 |
| **Hyderabad**<br>**Mr. Jayanta Chatterjee**<br>Mobile: +**91 9845022459**<br>Email: jayantac@icraindia.com<br><br>4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083<br>Tel:- +91-40-40676500 | |