

November 10, 2023

Stanadyne India Private Limited: Placed on rating watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term loan	15.00	15.00	[ICRA]A; placed on rating watch with developing implication
Long-term fund-based limits	65.00	65.00	[ICRA]A; placed on rating watch with developing implication
Short-term fund-based limits	15.00	15.00	[ICRA]A1; placed on rating watch with developing implication
Short-term fund-based – sublimit	(65.00)	(65.00)	[ICRA]A1; placed on rating watch with developing implication
Short-term non-fund based – sublimit	(12.50)	(12.50)	[ICRA]A1; placed on rating watch with developing implication
Total	95.00	95.00	

*Instrument details are provided in Annexure-1

Rationale

The ratings outstanding on the Rs. 95.00-crore bank facilities of Stanadyne India Private Limited (SIPL/the company) have been placed on watch with developing implications. SIPL, in which Stanadyne LLC, USA held 99% stake, and 1% was held by Stanadyne PPT Holdings Inc, has announced that its shares have been acquired by Cerberus Business Finance, LLC, (Cerberus). This follows a filing of Chapter 11 of the Bankruptcy Code in the US by Stanadyne LLC and consequent takeover of its stake in investee entities by its secured lender, Cerberus Business Finance, LLC, through Cerberus Capital Management, LP. ICRA understands that the operations of Stanadyne LLC along with its assets and investments have been transferred into a new company, Stanadyne Operating Co LLC from August 01, 2023, and that SIPL has not had any transactions with Stanadyne LLC ever since.

ICRA also understands that SIPL's performance has remained healthy in FY2023 and YTD FY2024, and that there has been no disruption in SIPL's day-to-day operations because of this development. Even in FY2023, SIPL derived only ~16% of its revenues from Stanadyne LLC; although the share of receivables from the parent was high. SIPL's liquidity remains adequate with nil working capital utilisation and unencumbered cash and bank balances of around Rs. 39.0 crore (Rs. 22.3 crore in the standalone entity and Rs. 16.6 crore in its subsidiary) as on October 30, 2023, against principal repayment obligations of Rs. 2.5 crore in H2 FY2024 and Rs. 5.0 crore in FY2025.

SIPL has pending receivables of ~Rs. 92.0 crore from Stanadyne LLC as of July 2023. ICRA understands from SIPL's management that a significant part of the same will be provided as doubtful debts in the FY2023 financials and the balance will be provided for in FY2024. This will, in turn, have an impact on SIPL's earnings and net worth position in FY2023 and FY2024. Despite the same, the company's financial profile is likely to remain healthy. However, factors like strategy of new shareholders for SIPL, policies on capex and dividend, and any material contingent liabilities are key monitorables. Also, while there is no impact on its operations currently, any potential adverse movements in orders from existing and new customers going forward remains to be seen.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position and rating sensitivities: [Click Here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Auto Components Industry
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SIPL. Details are provided in Annexure-2.

About the company

SIPL is engaged in manufacturing diesel engine fuel injection pumps and allied components, catering predominantly to overseas markets. In terms of segments, tractors and gensets constituted 40.6% and 41.9% of the operating income, respectively, while off-road /auto segment constituted the remaining in FY2022. The company derived 86.1% of its operating income from exports in FY2022 and currently its overseas markets include North America, Europe, South America and East Asia, among others. SIPL has two manufacturing facilities at Chennai (Tamil Nadu, India) and Sharjah (the UAE). The Sharjah unit belongs to its wholly-owned subsidiary, Stanadyne Mideast FZE. SIPL is a key company of the US-based Stanadyne Group, which is an established auto ancillary player globally manufacturing diesel rotary pumps, common rail pumps and injection fuel pumps for gasoline engines. Stanadyne LLC, USA held 99% stake in SIPL and 1% was held by Stanadyne PPT Holdings Inc until July 31, 2023. SIPL is currently owned by Stanadyne Operating Co LLC, which in turn is ultimately held by an investor group led by affiliates of Cerberus Capital Management, LP.

Key financial indicators

Consolidated	FY2022 (Audited)	FY2023 (Unaudited)
Operating income (Rs. crore)	335.7	383.5
PAT (Rs. crore)	58.8	43.9
OPBDIT/OI (%)	25.5%	18.0%
PAT/OI (%)	17.5%	11.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.1	0.3
Interest coverage (times)	24.1	23.2

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current Rating (FY2024)			Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2023 (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Nov 10, 2023				
1	Term loan	Long term	15.00	11.25	[ICRA]A; Rating watch with developing implication	[ICRA]A (Positive)	-	-	
2	Fund based limits	Long term	65.00	-	[ICRA]A; Rating watch with developing implication	[ICRA]A (Positive)	-	-	
3	Fund based limits	Short term	15.00	-	[ICRA]A1; Rating watch with developing implication	[ICRA]A1	-	-	
4	Fund based – sublimit	Short term	(65.00)	-	[ICRA]A1; Rating watch with developing implication	[ICRA]A1	-	-	
5	Non-fund based – sublimit	Short term	(12.50)	-	[ICRA]A1; Rating watch with developing implication	[ICRA]A1	-	-	

&: Rating Watch with Developing Implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long term – Term loan	Simple
Long term fund based limits	Simple
Short term fund based limits	Simple
Short term fund based – sublimit	Simple
Short term non-fund based – sublimit	Very 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 analyzing 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, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long term – Term loan	FY2023	10.00%	FY2026	15.00	[ICRA]A; Rating watch with developing implication
NA	Long term fund based limits	NA	NA	NA	65.00	[ICRA]A; Rating watch with developing implication
NA	Short term fund based limits	NA	NA	NA	15.00	[ICRA]A1; Rating watch with developing implication
NA	Short term fund based – sublimit	NA	NA	NA	(65.00)	[ICRA]A1; Rating watch with developing implication
NA	Short term non-fund based – sublimit	NA	NA	NA	(12.50)	[ICRA]A1; Rating watch with developing implication

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Stanadyne Mideast FZE (SME)	100.00%	Full Consolidation

Source: Company

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