



Kalyani Hayes Lemmerz Limited

	Amount in Rs. Crore	Rating Action
		December 2014
Fund Based Limit	140.0	Upgraded from [ICRA]A (Stable) to [ICRA]A+ (stable)
Non-Fund Based Limit	60.0	[ICRA]A1 Reaffirmed

ICRA has upgraded the long term rating assigned to the Rs. 140.0 crore fund based limits of Kalyani Hayes Lemmerz Limited (KHL) from [ICRA]A (pronounced ICRA A) to [ICRA]A+ (pronounced as ICRA A plus)†. The outlook on the long term rating is 'Stable'.

ICRA has reaffirmed the short term rating assigned to the Rs. 60.0 crore non fund based limits of the company at [ICRA]A1 (pronounced ICRA A one)†.

The upgrade in the long term rating factors in the improvement in the company's profit margins in CY14 with improvement in volumes in both M&HCV and car segments. Higher capacity utilisation at the passenger car wheel rim plant and cost cutting exercises have led to margin expansion in CY14.

ICRA continues to draw comfort from the strong presence of the company in the domestic M&HCV wheel rim market, its strong parentage, access to superior technology leading to competitive edge and benefits accruing due to a diversified product mix. Conservative stance of the management towards external debt as evidenced by completion of capacity expansions primarily through internal accruals also provides comfort to the ratings.

The ratings remain constrained by the exposure of the business to the cyclical nature in the auto segment, increasing demand for aluminium wheels – segment where the company has no presence yet, relatively high client concentration and vulnerability of the profit margins to fluctuations in the exchange rate and raw material price movement.

Company Profile

KHL was incorporated in 1996 and was jointly promoted by the Kalyani Group and Lemmerz Werke GmbH with 75% and 25% equity participation, respectively. The company started operations with the acquisition of the 'Wheel Rim' business of Bharat Forge Limited (BFL) and commenced commercial operations in June, 1996. In August 1998, the Hayes group increased its holding in the company to 85% by acquiring additional 60% of the equity held by the Kalyani Group.

The company used to be a subsidiary of Hayes Lemmerz Kongswinter GmbH ('the holding company'), a limited liability company incorporated in Kongswinter, Germany, which in turn was a subsidiary of Hayes Lemmerz Holding GmbH ('the parent company'), a limited liability company incorporated in Kongswinter, Germany. The Ultimate Parent Company ('Ultimate Parent'), Hayes Lemmerz International Inc, a limited liability company incorporated in Michigan, USA, was acquired by lochpe-Maxion S.A., the largest global wheel maker company with two main divisions in the auto parts and railway equipment industries, which are spread over 23 manufacturing plants in the states of São Paulo, Minas Gerais, and Rio de Janeiro and in more than 11 countries.

The principal business of the company is to manufacture wheel rims for Light Commercial Vehicles (LCVs), Medium & Heavy Commercial Vehicles (M&HCVs) and Utility vehicles (UVs). KHL manufactures wheel rims using the cold pressing and flow forming method pioneered by the Lemmerz Group, which facilitates higher fatigue strength with similar input requirements and also reduces power requirements. KHL received the technology from its parent company, which was under patent. The manufacturing facility of the company is situated in Chakan, Pune, India. The installed capacity for CV

† For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications



wheel rims stands at 1.3 million wheels per annum. The company also has a passenger car segment with installed capacity of 2.0 million per annum which would be expanded to 4.0 million by 2016.

Recent Results

The company reported a PBT of Rs. 32.5 crore on an operating income of Rs. 474.1 crore in the 11 months period between Jan 2014-Nov 2014 as compared to a PBT of Rs. 20.6 crore on an operating income of Rs. 413.1 crore in the 12 month period between Jan 2013-Dec 2013.

December 2014

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