

December 09, 2021

Setco Automotive Limited: Rating Withdrawn

Summary of rating action

Instrument [^]	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Bonds/NCD/LTD	350.00	350.00	[ICRA]D; Withdrawn
Total	350.00	350.00	

[^]Instrument details are provided in Annexure-1

Rationale

ICRA has withdrawn the rating assigned to the Non-convertible debenture (NCD) programme of Setco Automotive Limited (SAL) based on request from the client and no objection certificate from Debenture Trustee, and in accordance with ICRA's policy on withdrawal and suspension. The rated NCD worth Rs. 350.0 crore has been fully transferred to its subsidiary Setco Auto Systems Private Limited (SASPL) in September 2021 and there is no amount outstanding against the same in SAL. However, ICRA does not have information to suggest that the credit risk has changed since the time the rating was last reviewed. The Key Rating Drivers, Liquidity Position, Rating Sensitivities have not been captured as the related instruments are being withdrawn. The previous detailed rating rationale is available at the following link: [Click Here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Policy on Withdrawal and Suspension of Credit Ratings Corporate Credit Rating Methodology
Parent/Group Support	NA
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SAL. As on September 30, 2021, the company had six subsidiaries, which are all enlisted in Annexure-2, given the close business, financial and managerial linkages among them.

About the company

Established in 1982 in collaboration with Gujarat Industrial Development Corporation (GIDC), Gujarat Setco Automotive Limited (GSAL) was a manufacturer of clutches for original equipment manufacturers (OEMs). Around 2000, GIDC stepped out of GSAL and it was renamed as Setco Automotive Limited (SAL). SAL is the flagship company of The Setco Group, promoted by the Sheth family and is involved in manufacturing of clutches primarily for MHCVs. The company sells clutches under its own brand name – LIPE. SAL is managed by Mr. Harish Sheth, who have an extensive experience of over 35 years in the auto component business. The company has its own manufacturing unit in Gujarat and another assembly unit in Uttarakhand. In addition to OEMs, the company caters to the original equipment suppliers (OES) and independent aftermarket (IAM). Further, SAL has forayed into manufacturing of clutches for the farm segment (tractors) in FY2021. However, the company has entered into Business Transfer Agreement with SASPL to transfer its clutch manufacturing business on slump sale basis. The clutch manufacturing business is transferred from September 7, 2021.

Key financial indicators (Consolidated, Audited)

	FY2020	FY2021
Operating Income (Rs. crore)	471.1	359.3
PAT (Rs. crore)	-49.6	-123.3
OPBDIT/OI (%)	7.7%	-2.8%
PAT/OI (%)	-10.5%	-34.3%
Total Outside Liabilities/Tangible Net Worth (times)	5.1	NM
Total Debt/OPBDIT (times)	11.5	NM
Interest Coverage (times)	0.6	NM

Source: Company, ICRA research, All ratios as per ICRA calculations

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

	Instrument	Current Rating (FY2022)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on December 2, 2021 (Rs. Crore)	Date & Rating in	Date & Rating in			
					Dec 9, 2021	June 2, 2021			
1	NCD	Long -term	350.00	0.00	[ICRA]D; Withdrawn	[ICRA]D	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term Bonds/NCD/LTD	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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE878E07010	NCD	September 6, 2021	5%	September 6, 2025	350.00*	[ICRA]D; Withdrawn

Source: Setco Automotive Limited, *Entire amount of Rs. 350 crore has been transferred to its subsidiary SASPL

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership*	Consolidation Approach
Lava Cast Private Limited	89.19%	Full Consolidation
Setco Automotive (NA) Inc. (wholly owned subsidiary of Setco Automotive (UK) Limited)	100%	Full Consolidation
Setco Automotive (UK) Limited (67.81% is owned by WEW Holding Limited)	32.19%	Full Consolidation
WEW Holding Limited	100%	Full Consolidation
Setco MEA DMCC	100%	Full Consolidation
Setco Auto Systems Private Limited	81.24%	Full Consolidation

Source: Company; *As on September 30, 2021

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