



## Munjal Kiriu Industries Private Limited

	Amount (Rs. Crore)	Rating Action
		<b>September 2015</b>
<b>Cash Credit</b>	30.0	[ICRA]BBB (Stable) reaffirmed
<b>Term Loans</b>	31.3	[ICRA]BBB (Stable) reaffirmed
<b>Unallocated</b>	10.7	[ICRA]BBB (Stable) reaffirmed
<b>Working Capital Demand Loan*</b>	(10.0)	[ICRA]A2 reaffirmed
<b>Total</b>	72.0	

\*Working Capital Demand Loan is a sub-limit of Cash Credit facility

ICRA has reaffirmed the long-term rating at [ICRA] BBB (pronounced ICRA Triple B) and the short-term rating at [ICRA] A2 (pronounced ICRA A Two) for the Rs.72.0 Crore\* Lines of Credit of Munjal Kiriu Industries Private Limited ("MKIPL" or "the company")<sup>†</sup>. The outlook on the long term rating is "Stable".

The rating takes into consideration the healthy revenue growth witnessed by MKIPL over last two years and reasonable growth prospects with incremental business awards from Original Equipment Manufacturers (OEMs) like Maruti Suzuki India Limited (MSIL) and Honda Cars India Limited (HCIL) and continued benefits of strong parentage. Being a joint venture between Hero Motors Limited (HML) and Kiriu Corporation, Japan, the company has received continuous financial support (equity infusion of Rs. 36 crore in FY2016) besides the technical and operational support from the joint venture partners. ICRA also notes on implementation of demerger scheme filed by Hero Motors Limited, Hero Cycles Limited would be holding the 49% stake held by Hero Group<sup>†</sup>. ICRA also takes note of the consistent improvement in operating performance exhibited by the company over the years, with reduction in rejection rates and power consumption while simultaneously improving the yields. With the continued improvement expected in operating efficiencies and the reduction in power costs with reduced dependence on grid power, the operating profits of MKIPL could rise thereby strengthening the coverage indicators. The ratings, however, continue to be constrained by the highly leveraged capital structure of the company due to significant debt funded capital expenditure undertaken in previous years and the weak cash generation from operations relative to quantum of debt obligations. However, undrawn limits available with the company and recent equity infusion support the liquidity and credit profile of the company. Going forward, the ability of the company to grow its cash accruals and strengthen its coverage and return metrics would remain key rating sensitivities.

### Company Profile

Munjal Kiriu Industries Private Limited (MKIPL) was formed in December 2007 when Hero Motors Limited (HML) (rated [ICRA]A/[ICRA]A1) hived off its foundry business into a separate company to form a joint venture with Kiriu Corporation, Japan (subsidiary of Sumitomo Corporation, Japan). In February 2011, Kiriu Corporation and its parent company, Sumitomo Corporation increased its stake in the company from 33% to 51% by infusing Rs. 45 crore in the company and also acquired stake from HML for a consideration of Rs. 75 crore. MKIPL's manufacturing facility is located at Manesar (Haryana) with a foundry capacity of 48,000 MT per annum. MKIPL's Board of Directors includes representatives from the Munjal family, Kiriu Corporation, and Sumitomo Corporation. The company is engaged in the manufacture of ferrous castings for automotive and consumer durables industry. In the automotive space, MKIPL manufactures brake discs, brake drums, knuckles and certain other automotive components mainly for OEMs in the passenger vehicle segment. In the non-automotive segment, MKIPL manufactures cylinder blocks in as-cast condition and crank cases, which primarily find application in compressors for the consumer durable industry. By virtue of its Japanese parentage, the company has managed to secure healthy share of business with leading Japanese OEMs in India such as Maruti, Nissan, Toyota and Honda.

\* 100 lakh = 1 crore = 10 million

<sup>†</sup>"For complete rating definition please refer to the ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications"

<sup>†</sup> Currently Hero Group stake in MKIPL is held 38.88% by Hero Motors Limited and 10.12% by Hero Cycles Limited.



### Recent Results

As per audited financials, MKIPL recorded an operating income of Rs 247.7 Crore with an OPBIDTA of Rs 35.6 Crore and PAT of Rs -13.0 Crore during FY2015 as compared to operating income of Rs 220.2 Crore, OPBIDTA of Rs 31.9 Crore, and PAT of Rs -12.1 Crore during FY2014.

**September 2015**

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