

Mobis India Limited (REVISED)

Instruments	Amounts	Rating Action
	(Rs. Crore ¹)	
Term loan facilities	92.42 (reduced from 95.63)	[ICRA]A+ (Stable) / re-affirmed
Term loan facilities	245.51 (reduced from 382.53)	[ICRA]AA-(SO) (Stable) / re-affirmed
Short term fund based facilities	270.36 (increased from 130.13)	[ICRA]A1+ (upgraded from [ICRA]A1)

ICRA has re-affirmed the long-term rating of [ICRA]AA-(SO) (pronounced ICRA double A minus (Structured Obligation)) to the Rs. 245.51 crore (reduced from Rs 382.53 Cr) term loan facilities of Mobis India Limited ("MIL"/ "the Company")². An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. ICRA has also re-affirmed the long-term rating of [ICRA]A+ (pronounced ICRA A plus) to the Rs 92.42 Crore (reduced from Rs. 95.63 Crore) term loan facilities of MIL. The outlook on the long-term rating is Stable. ICRA has upgraded the short-term rating for the Rs 270.36 Crore (increased from Rs. 130.13 Crore) fund-based facilities of MIL from [ICRA]A1 (pronounced ICRA A one) to [ICRA]A1+ (pronounced as ICRA A one plus).

The [ICRA]AA-(SO) rating takes into account the irrevocable corporate guarantee extended by the parent Hyundai Mobis Co. Limited, Korea (HMobis - Moody's / Baa1 / Stable outlook) towards the term loan facilities of MIL. The rating factors in the servicing of the loan as per the terms of the underlying loan and the guarantee agreement. The rating assumes that the guarantee will be duly invoked by the lender, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower. Any change in the Moody's rating or outlook on HMobis can result in revision in rating or outlook of the facilities rated by ICRA of MIL.

The re-affirmation of long term rating at [ICRA]A+ factor in the strong parentage of MIL, being a wholly owned subsidiary of HMobis with strong operational and financial linkages, and the steady operational and financial performance of the company during the recent past supported by its stable business profile underpinned by captive demand from Hyundai Motors India Limited (HMIL). The upgrade in short term rating reflects the improved liquidity position of the company supported by healthy earnings from operations and efficient working capital management (with Net Working capital intensity at comfortable levels of 7%); MIL has a healthy cash balance of Rs 196 Cr as on March 31, 2016. Despite moderately high repayment obligations in the near term, expected stable growth in earnings and cash reserves lend financial flexibility and comfort to the credit profile of the company – with gearing and Total Debt to OPBDITA ratios likely to improve to healthy levels of 0.3 times and 0.7 times respectively by March 2017. The company also has adequate buffer in utilization of working capital credit available from banks (average utilization against limits and drawing power being less than 50% during the last 12 months), lending further comfort to the liquidity position of the company.

The ratings continue to take into account MIL's strong market position, being amongst the largest suppliers of components to HMIL (with the modules division likely to register steady growth of 6-8% in line with the performance of the OEM), and the sole distributor of HMIL's spares in the aftermarket segment. While the spares business contributes to only about 25% of the overall revenues, considerable portion of the profits are contributed by the aftermarket segment lending diversity to earnings. The ratings also consider the healthy financial profile of MIL, characterized by conservative gearing and adequate coverage metrics.

The ratings, however, remain constrained by MIL's high customer concentration on HMIL and its dependence on low margin modular assembly business which accounts for 77% of MIL's revenues, exposing earnings to the vagaries in performance of the OEM and to the cyclicity in the domestic passenger vehicle market. Also, MIL's earnings remain susceptible to intense competition and pricing pressure in the aftermarket segment,

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications



although this threat is mitigated to an extent by the expansion of the spares network by MIL during recent fiscals through alternate distribution channels.

The Company has incurred considerable capital expenditure during the last four fiscals, spend of ~Rs 700 Cr between FY2013 and FY2016 funded through a mix of debt and accruals, for capacities in the modular parts assembly segment and warehouses across key markets to accommodate increasing volumes in the spares distribution business. Any further expenditure in the near term is unlikely, till its customer HMIL undertakes expansion of its manufacturing capacity. The same is expected over the medium term, with the expected consistent growth in earnings likely to meet a sizeable portion of the funding requirements. ICRA would continue to monitor the developments on the capex plans and its impact on MIL's credit profile and take appropriate rating action if necessary.

Company Profile

Mobis India Limited is a wholly-owned subsidiary of Hyundai Mobis Co. Limited (HMobis), Seoul, Korea (rated by Moodys at Baa1 with Stable outlook). HMobis Korea is one of the key members of the Hyundai Motor group (HMobis holds 20.8% stake in Hyundai Motor Company rated Baa1 with Stable outlook by Moodys), and is the main auto parts supplier for both HMC and its smaller affiliate, Kia. Incorporated in June 2005, MIL operates in two major business segments – (a) supplier of modular parts assembly to Hyundai Motors India Limited (HMIL) and (b) distributor of genuine spares for HMIL. The modular parts business comprises of procuring auto components from tier-1 vendors and assembling modules for HMIL, with the main parts supplied being Front-end, Cockpit, Front chassis and Rear chassis. In the aftermarket business, the company is the sole distributor for HMIL's genuine spares and has warehouses set-up across key metros – Chennai, Delhi, Mumbai and Kolkata. While the modular segment contributes about 75% of the overall revenues, spares business contributes to the majority of the rest with a small portion of revenues being accrued from R&D etc.

Recent Results (Provisional)

MIL has reported net profit of Rs.152.3 crore on an operating income of Rs. 7265.9 crore during the fiscal 2015-16, as against a net profit of Rs. 115.7 crore on an operating income of Rs. 6082.9 crore during 2014-15.

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