

Harita Fehrer Limited

Instruments	Amounts (In Rs. Crore) ¹	Rating Action
Long term fund based facilities	15.00	Revised to [ICRA]BBB+ (Stable) from [ICRA]BBB (Stable)

ICRA has revised the rating outstanding on the Rs.15.00 crore long term fund based facilities of Harita Fehrer Limited (HFL/"the company") from [ICRA]BBB (pronounced ICRA triple B) to [ICRA]BBB+ (pronounced ICRA triple B plus). The outlook on the rating is stable.

The rating revision reflects the sustained improvement in HFL's financial profile over the last two years. HFL witnessed healthy growth in revenues in FY2015 and FY2016, and the company's net profits have shown steady improvement in the last two years. Owing to healthy accruals and low working capital intensity, the company's liquidity position has also improved significantly; HFL has had negligible utilization of working capital facilities over the last two years. Also, with no term loans, HFL has had zero debt as on 31 March 2015 and 2016. As a cascading effect, HFL's capital structure and coverage metrics have strengthened in the last two years. Going forward, while the new orders would help HFL's revenues, the cost-saving initiatives undertaken by the company are likely to aid in further improvement in margins. The company has significant capex plans over the next three years; however, these are expected to be funded entirely through internal accruals. As a result, the company's capitalization and other debt metrics are likely to remain strong over the medium term. With improvement in operating profits, and the low working capital intensity of the business, the liquidity position is also expected to remain comfortable.

The rating also draws comfort from HFL's strong parentage, derived by virtue of the company being a joint venture between the Harita Seating Systems Limited, a renowned player in the Indian automotive industry and formed by members of the TVS family, and F. S. Fehrer Automotives GmbH, one of the world's leaders in automotive upholstery, and technological support derived from the latter. HFL has established presence in the flexible foams/seat pads business in India, with reasonable market share and counts several renowned automobile OEMs and tier-I suppliers among its customers.

The rating is, however, constrained by HFL's moderate scale of operations and relatively modest margins following limited value addition and restricted pricing flexibility. Further, the accruals continue to be moderated by the significant dividend payouts year-on-year, in line with the company's policy. Also, HFL has high customer concentration with the top three customers constituting over 60% of revenues in FY2016, although addition of new customers would diversify HFL's customer base to an extent going forward. By virtue of the company deriving a large part of its revenues from two and three wheelers and passenger vehicles, the revenues remain vulnerable to any downturn in these segments.

Company Profile

Harita Fehrer Limited (HFL) is a 51:49 joint venture between Harita Seating Systems Limited (HSSL, formed by members of the TVS family) and F.S. Fehrer Automotive GmbH (Germany). Majority of HFL's revenues are derived from flexible foam for passenger vehicles and seat assembly for two and three wheelers. Rigid foams such as Long Fibre Injection Moulding (LFI) and Micro Cellular Urethane (MCU), and flexible foams for tractors, buses, etc constitute the remaining. The company has three factories – one each in Chennai, Pune and Hosur and is in the process of constructing one more at Mysore.

¹ 100 lakh=1 crore=10 million



Recent results

HFL reported net profit of Rs. 13.4 crore on operating income of Rs. 361.1 crore during FY2016, as against net profit of Rs.11.6 crore on operating income of Rs.335.0 crore for the corresponding previous fiscal year.

September 2016

For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Vinutaa S (Tel. No. +91 44 4596 4305)
vinutaa.s@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500