

## Delphi Automotive Systems Private Limited

Instrument	Amount	Rating Action
	In Crore	April 2016
Fund-based and Non-fund-based facilities	40.00	[ICRA]BBB(Positive)/ [ICRA]A2 reaffirmed

ICRA has revised the outlook on the long-term rating of Delphi Automotive Systems Private Limited (DASPL) from 'Stable' to 'Positive', while reaffirming the ratings at [ICRA]BBB & [ICRA]A2 ((pronounced ICRA triple B/ICRA A two) of the Rs. 40 crore<sup>1</sup> long-term & short-term bank facilities of the company.

The revision in outlook to 'Positive', takes into consideration expectations of improvement in DASPL's financial performance on back of its parent company's decision to hive-off the relatively low-margin thermal solutions (i.e. HVAC business), likely scale-up in business with strong domestic and export order book, especially in the Electrical and Electronic Distribution (i.e. wiring harness) and Powertrain division and overall pick-up in the domestic Passenger Vehicle segment (which accounts for majority of company's turnover in India). ICRA has also favorably factored in the improvement in DASPL's capital structure following partial conversion of non-cumulative optionally convertible redeemable preference shares<sup>2</sup> into equity share capital during FY 2016, negligible external borrowings and comfortable liquidity in the form of un-utilized working capital facilities.

The rating reaffirmation continues to consider DASPL's close linkages with ultimate parent company - Delphi Automotive PLC (DAP) (rated Baa3/Positive by Moody's Investors Service) by way of technical, financial (funding through preference shares and debentures) and business support (central purchasing from suppliers and relationships with global OEMs). ICRA favorably factors in DASPL's diversified product portfolio being present in a variety of technology oriented segments in the auto component industry, expectation of healthy business scale-up resulting in higher operating leverage and expansion of customer base coupled with presence in new product development.

The ratings are however, constrained by the sizeable import content, making profitability metrics susceptible to fluctuation in foreign currency as seen in the past and low share of business with market (domestic) leading OEMs. The ability of the company to efficiently utilise its manufacturing capacity by procuring new orders from OEMs, manage adverse currency fluctuations in view of the high import base and maintain its cash flows in a technologically intensive line of business would remain the key rating sensitivities.

### Company Profile

DASPL is the subsidiary of Delphi International SARL, Luxembourg, which holds 99.99% equity stake in the company. Delphi Automotive PLC (DAP) is the ultimate parent company of Delphi. DAP is one of the world's largest makers of auto parts.

DASPL is an auto ancillary company, focused majorly on the passenger vehicle segment. The primary business divisions of DASPL include Electrical and Electronic Distribution Systems (EEDS - vehicle electrical systems – plants in Dharuhera, Chennai and Pune), Powertrain Systems (engine management, fuel, and emissions systems – plant at Gurgaon), Electronics and Safety (sensors, security systems, navigation and entertainment systems - plant at Chennai), and research, development and designing through its Technical centre at Bangalore and Pune. DASPL has a well diversified product portfolio as well as customer profile with sales to players like Mahindra and Mahindra (M&M), Tata Motors Limited (TML), General Motors India Private Limited (GM), Maruti Suzuki India Limited (MSIL) etc. Despite being present in relatively higher technology products, the company faces high competitive intensity in its major product lines – EEDS and Powertrain due to presence of presence of other established market players.

In June 2015, DASPL hived off its HVAC (heating, ventilating, and air conditioning) division to Mahale-Anand in India for a consideration of Rs. 51.4 crore, in line with the business restructuring plan of parent DAP.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> Extended by parent company Delphi International SARL, Luxembourg.



### **Recent Results**

As per provisional financials shared, DASPL reported a Profit after Tax (PAT) of Rs. 5.9 crore on an Operating Income (OI) of Rs. 508.4 crore during 9m FY2016.

**April 2016**

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