

A.G. Industries (Bawal) Private Limited

| Instrument | Amount | Rating Action |
|------------------------|---|--|
| | Rs. Crore | March 2016 |
| Term Loans | 19.12 (reduced from 20.72) | [ICRA]AA (SO) reaffirmed; stable outlook |
| Cash Credit Facilities | 7.00 | [ICRA]AA (SO) reaffirmed; stable outlook |
| Total | 26.12 (reduced from 27.72) | |

ICRA has reaffirmed a long term rating of [ICRA]AA (SO) (pronounced ICRA double A Structured Obligation) for the bank facilities of A.G. Industries (Bawal) Private Limited (AGBPL). The rating has a “Stable” outlook†. The total rated amount has been reduced from Rs. 27.72 Crore to Rs. 26.12 Crore.

ICRA’s rating is based on the corporate guarantee extended by A.G. Industries Private Limited (AGIPL) for the entire bank facilities of AGBPL. The rating reaffirmation for AGBPL’s bank facilities factors in the reaffirmation of [ICRA]AA (stable)/[ICRA]A1+ ratings for the bank facilities of AGIPL. In arriving at the ratings for AGIPL, ICRA has taken a consolidated view of AGIPL along with its subsidiaries AGBPL and Gmax Auto Limited (Gmax) as these companies operate in the common line of business and have a common set of promoters.

The reaffirmation of the assigned ratings takes into account AGIPL’s status as the primary supplier of plastic injection moulding components to HMCL, the market leader in the Indian two-wheeler industry. The company continues to enjoy a strong share of business (about 90%) for the supply of large plastic components to the OEM and has been able to record a healthy growth in scale of operations over the years, benefitting from increased demand from HMCL. Although the company remains exposed to high client concentration risk, with supplies to HMCL constituting about 90% of the company’s revenues, the company’s status as a Hero Group company and family relations of its promoters with the promoters of HMCL provide comfort.

The ratings assigned also continue to factor in favourably the company’s strong financial risk profile, characterized by a conservative capital structure, strong internal accruals and debt coverage indicators. Although the company continues to remain focused on the two wheeler segment till now, thereby linking its growth prospects to the industry, its efforts to diversify its product profile and business segments through acquisitions and joint venture agreements are likely to provide opportunities for growth.

At a consolidated level, an inefficient scale of operations of the company’s subsidiaries, AGBPL and Gmax, have led to the moderation of profitability and debt coverage indicators to an extent. Although, AGIPL is likely to continue to support the incremental fund requirements of its subsidiaries as well, expected healthy cash accruals are likely to help the company maintain its strong credit profile. The company’s ability to maintain its healthy share of business with HMCL while ramping up the scale of operations of its subsidiaries and success achieved in efforts to diversify the company’s product and segment profile will remain key rating sensitivities.

Company Profile

AGBPL is a Hero group company and supplies large plastic components to Hero Motocorp Limited (HMCL). The company started operations in FY10 through its manufacturing facility in Bawal (Haryana). The product portfolio of the company includes motor cycle parts such as seat base, fenders, visor, side cover, cowl, wind screen and utility box etc. AGIPL has 100% shareholding in the company.

About the Guarantor

A.G. Industries Private Limited (AGIPL), established in 1993, is the primary supplier of large injection molded plastic parts to HMCL (with 80-85% SOB) and caters to all the three manufacturing facilities of the OEM. The company is a part of the Hero Group with 100% shareholding of family members. Currently, the company operates three manufacturing facilities in Haridwar (2008), Manesar (2002) and Gurgaon (1993). In addition, it has set up two manufacturing facilities at Bawal through its subsidiaries – A. G. Industries (Bawal) Private Limited (AGBPL) (in 2009-10) and more recently Gmax Auto Limited (Gmax) for undertaking tool manufacturing. The product portfolio of the company includes motorcycle parts such as seat base, fenders, visor, side cover, cowl, wind screen and utility box etc.



Recent Results

In 9mFY16 (provisional financials), ABGPL reported an operating income of Rs. 121.9 crore. The company's operating profit before depreciation, interest and tax stood at Rs. 10.8 Crore.

In 9mFY16 (provisional financials), AGIPL reported an operating income of Rs. 556.2 crore. The company's operating profit before depreciation, interest and tax stood at Rs. 57.9 crore.

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For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)

subrata@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)

jayantac@icraindia.com

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**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: **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: **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: **9845022459**Email: jayantac@icraindia.com

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

Bangalore**Bangalore****Mr. Jayanta Chatterjee**Mobile: **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: **989986490**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: **989986490**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: **9845022459**Email: jayantac@icraindia.com

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