

October 05, 2020

## Sterling Automobiles Private Limited: Update on Material Event

### Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based/Term loan	3.10	3.10	[ICRA]BBB- (Negative); outstanding
Short Term - Fund Based/Inventory Funding	21.50	21.50	[ICRA]A3; outstanding
Non-fund Based Limits	0.30	0.30	[ICRA]A3; outstanding
Long Term / Short Term – Unallocated	0.10	0.10	[ICRA]BBB- (Negative)/A3; outstanding
<b>Total</b>	<b>25.00</b>	<b>25.00</b>	

### Material Event

The material event pertains to the announcement on September 24, 2020 by Harley-Davidson, Inc. (Harley) regarding discontinuing its sales and manufacturing operations in India, as a part of its global restructuring plan which relates to optimising its global dealer network and exiting certain international markets.

### Impact of Material Event

The ratings of Sterling Automobiles Private Limited (SAPL) remain unchanged at the earlier rating of [ICRA]BBB- (Negative)/[ICRA]A3 (pronounced ICRA triple B minus with a Negative outlook and ICRA A three).

SAPL has extended a corporate guarantee to its associate company, Sterling Mobikes Private Limited<sup>1</sup> (SMPL), which is an authorised dealer for two wheelers of Harley, for a portion of its debt facilities. ICRA's ratings on SAPL factor in this corporate guarantee. ICRA has taken cognizance of Harley's announcement, and will continue to monitor its impact on SMPL's business; and the corresponding implications, if any, on SAPL's overall financial position. ICRA notes that SMPL will continue to function till its contract tenure and has limited vehicle inventory, of 15 vehicles, as on August 31, 2020. ICRA's ratings on SAPL continue to derive comfort from the fact that it is a part of the Sterling Group, which is present across multiple companies in the automotive space (the flagship company being Sterling Tools Limited; rated [ICRA]AA- (Negative)/A1+). The ratings also factor in the extensive experience of SAPL's promoters in the automobile dealership business.

The previous detailed rating rationale is available on the following link: [Rationale; June 2020](#)

<sup>1</sup> SMPL operates four showrooms in New Delhi, Gurugram, Ludhiana, and Chandigarh.

## ANALYST CONTACTS

**K. Ravichandran**

+91 44 4596 4301

[ravichandran@icraindia.com](mailto:ravichandran@icraindia.com)

**Manish Ballabh**

+91 124 4545 812

[manish.ballabh@icraindia.com](mailto:manish.ballabh@icraindia.com)

**Vipin Jindal**

+91 124 4545 355

[vipin.jindal@icraindia.com](mailto:vipin.jindal@icraindia.com)

**Sugandha Arora**

+91 124 4545 398

[sugandha.arora@icraindia.com](mailto:sugandha.arora@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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