February 04, 2020

# Motherson Sumi Systems Limited: Update on Material Event

## Summary of Rated Instrument:

| Instrument* | Rated Amount (Rs. crore) | Rating Outstanding |
|---|---|---|
| Term loans | 1108.27 | [ICRA]AA+ (stable) |
| Fund-based facilities | 600.00 | [ICRA]AA+ (stable)/[ICRA]A1+ |
| Non-fund based bank facilities | 100.00 | [ICRA]AA+ (stable)/[ICRA]A1+ |
| **Total BLR** | **1808.27** | |
| CP/STD programme | 150.00 | [ICRA]A1+ |

## Material Event

The board of directors of Motherson Sumi Systems Limited (MSSL) in their meeting held on January 30, 2020, provided an in-principle approval for a reorganisation of business within the group along the following lines:

- Demerger of the domestic wiring harness business of MSSL into a newly formed legal entity, which shall be listed (with a mirror shareholding of the exiting entity). The management attributed the reorganisation proposal to a long-standing request from its Joint Venture partner - Sumitomo Wiring Systems, Japan (SWS) to keep the latter's participation focused to domestic wiring harness business in India (which remains SWS' core area of interest).

- Consolidation of entire 100% shareholding of Samvardhana Motherson Automotive Systems Group B.V. (SMRP BV) under MSSL (currently SMRPBV is held in the ratio 51%:49% by MSSL and Samvardhana Motherson International Limited (SMIL)) through a merger exercise. The management indicated that the proposal will help MSSL meet the expectations of its shareholders to consolidate and simplify the group structure.

With a view of progressing on the above-mentioned business reorganisation, the board formed a sub-committee of directors to oversee the process and provide a proposal and scheme of reorganisation to the board within a period of 90 to 120 days. The reorganisation once approved, would be subject to requisite statutory and regulatory approvals.

## Impact of the Material Event

The impact of the proposed demerger of the domestic wiring harness business (~8-9% of consolidated turnover) along with associated debt and other obligations into a separate entity pursuant to approval and implementation of a proposed scheme, on the credit profile of the entity remains to be seen and would remain a monitorable. The consolidation of the entire 100% shareholding in SMRPBV under the residual entity is expected to be completed through an equity share swap arrangement with SMIL, and is thus unlikely to materially impact the credit profile of MSSL. While ICRA takes note of the developments, further clarity is awaited regarding the proposed business reorganisation to evaluate the impact of the same on the company's credit profile. ICRA would continue to monitor the developments in this regard and take appropriate rating action as and when more clarity emerges.

**The previous detailed rating rationale is available on the following link:** Click here

## ANALYST CONTACTS


**Subrata Ray**
+91 22 6114 3408
subrata@icraindia.com

**Shamsher Dewan**
+91 1244545328
shamsherd@icraindia.com

**Rohan Kanwar Gupta**
+91 1244545808
rohan.kanwar@icraindia.com


## RELATIONSHIP CONTACT


**L. Shivakumar**
+91 22 6114 3406
shivakumkar@icraindia.com


## MEDIA AND PUBLIC RELATIONS CONTACT


**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com


## Helpline for business queries:

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

info@icraindia.com

## About ICRA Limited:

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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
Website: 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 |