August 30, 2024

SAME Deutz-Fahr India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund-based	75.00	75.00	[ICRA]A+(Stable); reaffirmed
Short term fund based - Sublimit (Interchangeable) #	(75.00)	(75.00)	[ICRA]A1; reaffirmed
Short term non fund based – Sublimit (Interchangeable) #	(50.00)	(50.00)	[ICRA]A1; reaffirmed
Total	**75.00**	**75.00**	

**Instrument details are provided in Annexure-I; # - combined utilisation is capped at Rs. 75.00 crore*

Rationale

The rating reaffirmation of SAME Deutz-Fahr India Private Limited (SDF India) factors in ICRA's expectations of a sustained financial performance in the near-to-medium term, supported by its operational and financial flexibility from being a part of the larger SAME Deutz-Fahr Group (SDF Group/parent), strong debt metrics and adequate liquidity. SDF India is a critical low-cost sourcing hub for the Europe-based SDF Group, which is among the larger global agri-equipment players, with cumulative revenues of euro 2,030.7 million (over Rs. 18,000 crore) in CY2023. Also, SDF India derives technological support from the parent and its operations are closely integrated with that of the latter.

SDF India's operating income witnessed a YoY contraction in FY2024 (despite a healthy growth in SDF Group's revenues) from Rs. 1,757.6 crore revenue in FY2023 as the company exported a larger proportion of products as components, in line with the broader group's strategies. Part of the tractors/engines sold to Turkey, were sold as components instead of fully fitted tractors/engines to avail local fiscal benefits. ICRA understands that there is no decline in the overall share of sourcing from India by the Group. The aforesaid change in the product mix also resulted in some YoY moderation in margins in FY2024. SDF India maintains about 70-90 days of inventory to mitigate supply-chain risks. Also, it has relatively higher receivables from group companies for its supplies. The same has resulted in relatively higher working capital intensity for the company. Nevertheless, its capital structure and coverage metrics have remained strong over the last several years, aided by the healthy accruals, modest capex and low debt funding. The company did not have any long-term borrowings and was net debt negative as on March 31, 2024, and June 30, 2024. It had cash and bank balances of Rs. 75.4 crore, and undrawn working capital lines of over Rs. 200.0 crore as on June 30, 2024. The company's average working capital utilisation between July 2023 - June 2024 stood at 25% of sanctioned limits.

However, the concentration in Europe exposes SDF India to region-specific demand risks. Its revenues and accruals remain vulnerable to any slowdown in orders because of the tepid global environment. Further, its working capital intensity is expected to remain high over the medium term. However, ICRA expects the company to remain net debt negative, and its capital structure, coverage metrics and liquidity to remain comfortable over the near-to-medium term.

The stable outlook on SDF India's long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile and debt metrics, supported by its cash accruals, adequate liquidity position and moderate capex, and continued operational and financial flexibility by being part of the larger SDF Group.

Key rating drivers and their description

Credit strengths

Financial and operational flexibilities from being a part of the larger SDF Group – SDF India is a key company for the Europe-based SDF Group, which is among the larger global agri-equipment players, with cumulative revenues of euro 2,030.7 million (over Rs. 18,000 crore) in CY2023. SDF India derives technological support from the parent and uses the Deutz-Fahr brand in the domestic market. SAME Deutz-Fahr Italia SpA, Italia holds a 41.67% stake in the company and the ultimate holding company of the Group, SDF SpA, Italia holds a 58.33% stake.

Integrated operations with the parent group – SDF India's operations are closely integrated with that of its parent with the global sourcing of the SDF Group's sub-110HP engines and several ranges of tractors are exported from India since 2008. The company derived over 90% of its sales from the parent group in FY2024.

Strong capital structure and coverage metrics – SDF India's operating income witnessed a YoY contraction in FY2024 (despite a healthy growth in SDF Group's revenues) from the Rs. 1,757.6 crore revenue in FY2023 as the company exported a larger proportion of products as components against tractors earlier, in line with the broader group's strategies. Despite the same, SDF India's capital structure and coverage metrics have remained healthy over the last several years, aided by the healthy accruals, modest capex and low debt funding. The company does not have any long-term debt in its book and was net debt negative as on March 31, 2024, and June 30, 2024, despite its relatively high working capital intensity. With no major debt-funded capex going forward, ICRA expects the company's capital structure and coverage metrics to remain comfortable over the near to medium term.

Credit challenges

High working capital intensity – SDF India maintains 70-90 days of inventory to mitigate supply-chain risks. Also, it has relatively higher receivables from group companies for its supplies. The same has resulted in relatively higher working capital intensity for the company. However, no further material elongation in receivable days pertaining to group debtors is envisaged going forward. Also, the company operates in cash-and-carry model in the domestic market, which is expected to support liquidity to an extent.

Relatively high customer and geographical concentration risk – The company derived over 90% of its revenues from exports to the Group companies in Europe, predominantly to Italy (over 40% of revenues) and Turkey (~50% of the revenues), in FY2024. The concentration on the Europe exposes SDF India to region-specific demand risks. Nevertheless, its criticality as a low-cost sourcing hub to the parent mitigate the risks to an extent. Further, tractors / engines / components sourced from SDF India are ultimately exported to end markets other than Europe including various developing / emerging markets, mitigating risks arising from geographic concentration to an extent.

Financing tie-ups and dealership network are challenge in the domestic market – Strong dealership network and tie-ups with financial institutions (given that a major portion of the tractor sales are financed through debt) are critical for deeper inroads into the Indian tractor market. Its network is largely concentrated in select states and SDF India's market share in the domestic market stood at sub 0.5% (in FY2024).

Liquidity position: Adequate

SDF India's liquidity is expected to remain adequate, aided by its healthy anticipated cash accruals, cash and bank balances of Rs. 75.4 crore, and undrawn working capital lines of over Rs. 200.0 crore as on June 30, 2024. The company's average working capital utilisation between July 2023 - June 2024 stood at 25% of the sanctioned limits. In relation to these sources of cash, SDF India has moderate capex commitments over the medium term, to be funded through internal accruals. Also, SDF India does not have long-term debt repayment obligations owing to absence of term debt on its books. Overall, ICRA expects SDF India to be able to meet its medium-term commitments through internal sources of cash and yet be left with cash/liquid investments surplus.

Rating sensitivities

Positive factors – ICRA could upgrade SDF India's ratings, if it achieves material improvement in its receivables position and profit margins on a sustained basis, with minimal debt levels on its books.

Negative factors – Downward pressure on SDF India's ratings could emerge from increase in working capital intensity and deterioration in margins. Specific triggers that could lead to downward revision in ratings would be net debt/OPBITDA of more than or equal to 2.0 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Tractors
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of SDF India

About the company

SAME-Deutz Fahr India Private Limited (SDF India) is part of the Europe-based SAME Deutz-Fahr Group (SDF Group), which is among the larger global agri-equipment players. The company derived over 90% of its revenues from exports to the Group companies in Europe, predominantly to Italy (over 40% of revenues) and Turkey (~50% of the revenues), in FY2024. In terms of products, the company sells tractors, engines and components to its parent, while sales are restricted to tractors and spares in the domestic market. SAME Deutz-Fahr Italia SpA, Italia holds a 41.67% stake in the company and the ultimate holding company of the Group, SDF SpA, Italia holds a 58.33% stake. The company has one assembly plant in Ranipet, Tamil Nadu.

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	1,384.8	1,757.6
PAT	46.2	101.7
OPBDIT/OI (%)	5.9%	9.7%
PAT/OI (%)	3.3%	5.8%
Total outside liabilities/Tangible net worth (times)	0.7	0.4
Total debt/OPBDIT (times)	1.1	0.4
Interest coverage (times)	14.0	25.7

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Aug 30, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	75.00	[ICRA]A+ (Stable)	-	-	26-MAY-2023	[ICRA]A+ (Stable)	-	-	21-FEB-2022	[ICRA]A+ (Stable)
Short term fund based - Sublimit (Interchangeable) #	Short Term	75.00	[ICRA]A1	-	-	26-MAY-2023	[ICRA]A1	-	-	21-FEB-2022	[ICRA]A1
Short term non fund based – Sublimit (Interchangeable) #	Short Term	50.00	[ICRA]A1	-	-	26-MAY-2023	[ICRA]A1	-	-	21-FEB-2022	[ICRA]A1

 # - combined utilisation is capped at Rs. 75.00 crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term-cash credit-fund based	Simple
Short term fund based - Sublimit (Interchangeable) #	Very Simple
Short term non fund based – Sublimit (Interchangeable) #	Very Simple

 # - combined utilisation is capped at Rs. 75.00 crore

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long term-cash credit-fund based**	NA	NA	NA	75.00	[ICRA]A+ (Stable)
NA	**Short term fund based-interchangeable #**	NA	NA	NA	(75.00)	[ICRA]A1
NA	**Short term non-fund based-interchangeable #**	NA	NA	NA	(50.00)	[ICRA]A1

Source: Company; # - combined utilisation is capped at Rs. 75.00 crore

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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