December 31, 2024

Krishna Maruti Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Fund-based/ Non-fund based	150.00	150.00	[ICRA]AA (Stable)/ [ICRA]A1+; Reaffirmed
Total	**150.00**	**150.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of ratings for Krishna Maruti Limited (KML) factors in the expectation of continued robust operational performance of the entity, aided by its healthy share of business for both its seat sets and plastics divisions, with Maruti Suzuki India Limited (MSIL), the leading passenger vehicle (PV) original equipment manufacturer (OEM) in the domestic market. KML recorded a robust revenue growth of ~9% in FY2024, aided by healthy demand in the PV industry. The company continued to maintain a healthy operating margin of 10.6% in FY2024, supported by the healthy capacity utilisation level. The entity is expected to continue to generate healthy earnings, going forward, aided by continuation of steady demand in the PV industry, helping KML maintain a strong credit profile.

Over the years, KML has continued to gain business for new model launches of the OEM for its seat set division, helping it maintain a strong share of business (SOB) with MSIL (65-70%). KML commands even a higher SOB of 80-85% for its door trims segment (a part of the plastics division) with the OEM. The strong operational performance on the back of additional business won and better performance of models catered by KML have translated into healthy cash accruals for KML and has aided it in maintaining a strong credit profile, characterised by strong return indicators, zero debt (apart from lease liabilities) and strong cash and liquid investments (~Rs. 673 crore [consolidated] as on March 31, 2024). The company is about to complete the establishment of its new plant in Kharkhoda to cater to MSIL's new plant with a total capex outlay of Rs. 200-225 crore, which is expected to help KML cater to the OEM's new launches from the plant. Despite the capex incurred, KML's reliance on debt is expected to remain negligible and is likely to maintain a robust financial risk profile, characterised by strong cash and liquid investments.

The ratings continue to consider the favourable ownership of KML with nearly 45% stake held by MSIL and Suzuki Motor Corporation (SMC), Japan, along with board representation. The availability of technical assistance from Snic Corporation, Japan, has aided the company's product development efforts and ensured revenue visibility for KML over the medium term.

KML remains exposed to significant segment and client concentration risks as most of the revenues emanate from MSIL. The risk, however, is mitigated to an extent by the strong share of business enjoyed by KML in supplies to MSIL, and the market leadership position of the latter in the Indian PV industry. Even as the company has commenced supplying to other OEMs, the share of the same in the overall revenue pie is likely to remain at marginal levels in the near-to-medium term. Moreover, the revenue prospects of KML are expected to remain linked to the prospects of MSIL. The company also faces significant product concentration risk as ~70% of its revenues in FY2024 were driven from seat sets. Towards this effect, the company had acquired three plants of Trim India Private Limited in FY2022 to diversify its product profile in the plastics division. The company would continue to look for similar opportunities, going forward, to further diversify its product profile.

ICRA notes that the company's board had approved extension of corporate guarantee (CG) of up to Rs. 500 crore for bank facilities availed by Group entities, SKH Metals Limited and SKH Sheet Metal Components Private Limited (board approval in FY2021), along with extension of loan of up to Rs. 150 crore to Krisumi Corporation (non-automotive entity, board approval in FY2022). The corporate guarantees extended as on date cover a portion of SKH Metals Limited's debt, and accordingly, ICRA has consolidated SKH Metals Limited's financials with that of KML, while arriving at its ratings. Although the support extended to weaker Group entities till date has not materially impacted KML's credit metrics due to availability of surplus cash and liquid investments, extension of further support to Group entities would remain a key monitorable, going forward.

The Stable outlook on the long-term rating reflects ICRA's opinion that KML will continue to benefit from its established relationship with MSIL and technical collaboration with Snic Corporation, helping it generate healthy cash accruals and maintain a robust credit profile over the medium term.

Key rating drivers and their description

Credit strengths

Established relationship and healthy share of business for seat sets and door trims for MSIL; favourable ownership pattern strengthens revenue visibility – KML is a leading auto component manufacturer, servicing MSIL with seat sets and door trims. Benefitting from its technical capabilities and its established relationships, the company has been able to maintain healthy share of business with MSIL in supplying seat sets and door trims over the years. The ownership pattern of KML consists of SMC and MSIL, which have a combined stake of ~45%. The continuation of ongoing business, coupled with business gained for upcoming product launches, provides healthy revenue visibility over the near-to-medium term.

Technical collaboration with SNIC Corporation aids in product development capabilities – KML has a technical collaboration agreement with SNIC Corporation (Japan), a supplier of seat sets to SMC internationally. The agreement helps the company obtain the required knowhow and mitigate the risk of technical obsolescence. Additionally, the technological support aids KML in new product development, which is likely to help in maintaining its strong share of business with MSIL.

Healthy financial risk profile and strong liquidity profile – The company's consolidated financial risk profile is characterised by strong return indicators (core RoCE of 55.1% in FY2024), conservative capital structure (negligible reliance on external debt) and strong debt coverage indicators (Total Debt/OPBDITDA of 0.5 times and an interest coverage of 28.6 times in FY2024). Additionally, it continues to have a strong liquidity profile with available liquid investments and cash balances of ~Rs. 747 crore as on September 30, 2024. The liquidity profile is also supported by unutilised working capital limits from banks. Even upon consolidation of SKH Metals Limited's financials with KML, the consolidated entity continues to have healthy returns and debt coverage metrics (Total Debt/OPBDITA of 1.2 times in FY2024) as well as strong liquidity (resulting in negative net debt position).

Credit challenges

High client and segment concentration risks with revenues primarily driven by MSIL – Over the years, most of KML's revenues have been generated from MSIL, leading to client as well as segment concentration risks. Nevertheless, the company's favourable ownership pattern, coupled with its strong share of business and the leadership position of MSIL in the domestic PV industry, mitigate the client concentration risk to an extent. Even though the company has started supplying other OEMs, revenue from MSIL is likely to dominate in the near-to-medium term. KML's ability to diversify into other customers and/or segment and reduce its segment concentration risk would remain a key rating sensitivity.

Exposed to high product concentration risk – The company's product portfolio primarily consists of automotive seat sets and door trims (a part of the plastics division) for PVs. While KML derives revenues from seat sets and plastics divisions, most of its revenues emanate from seat sets (70% in FY2024), resulting in product concentration risk. The risk is, however, mitigated to an extent by the continuous inflow of orders from MSIL. While revenues from the plastics division are expected to provide diversification benefits, revenues from the sale of seat sets are likely to dominate over the medium term.

Extension of support to weaker group entities – KML has given a corporate guarantee for a part of the bank facilities availed by SKH Metals Limited and SKH Sheet Metal Components Private Limited. The total amount of corporate guarantee extended as of November 30, 2024 stood at ~Rs. 180.9 crore (Rs. 145.9 crore to SKH Metals, Rs. 25 crore to SKH Sheet Metal Components Pvt. Ltd. and Rs. 10 crore to Krishna Hanguk Technologies Pvt. Ltd.) for all the entities combined (board resolution has approved extension of corporate guarantees up to Rs. 500 crore to these entities). Post the extension of corporate guarantees, the company has been closely tracking the cash flows of the entities (monthly reviews) and intends to support them, as and when required. The company's board has also passed a resolution to extend up-to Rs. 150 crore loans to Krisumi Corporation. As of November 30, 2024, the outstanding for the loan extended was ~Rs. 20 crore, which is expected to be completely repaid in the near term. Any further extension of material support to Group entities remains a rating sensitivity.

Liquidity position: Strong

KML has a **strong** liquidity profile, characterised by free cash and liquid investments of ~Rs. 747 crore (parked in debt mutual funds and fixed deposits) as on September 30, 2024, no debt repayment obligations and undrawn fund-based working capital limit (average buffer of Rs. 50-60 crore). Additionally, the company is expected to generate healthy fund flow from operations of Rs. 300-350 crore in FY2025, which is expected to further increase, going forward. The company incurred a capex of ~Rs. 250 crore in FY2024 and is expected to incur ~Rs. 150 crore in FY2025, partly towards setting up an additional facility in Kharkhoda. The capex is expected to be funded by internal accruals. SKH Metals, KML's Group entity, is expected to remain largely self sufficient to meet its funding requirements.

Rating sensitivities

Positive factors – A positive rating action could be triggered by a sustainable scale-up in the company's scale of operations brought about by material customer and product diversification, while maintaining healthy credit metrics and liquidity profile.

Negative factors – The ratings could be negatively impacted by a sharp contraction in volumes in the near-to-medium term, leading to a deterioration in the company's capacity utilisation levels and significantly impacting profitability and return metrics. Further, extension of incremental support in terms of corporate guarantee/loans to Group entities, materially impacting KML's credit profile, could result in a negative rating action. Specific credit metric that could lead to ratings downgrade would be Net Debt/OPBITDA (at a consolidated level) of more than 1.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of KML. ICRA has also consolidated SKH Metals Limited's financials with that of KML, while arriving at its ratings, given the extension of corporate guarantees for a portion of the former's debt. As of March 31, 2024, the company had one subsidiary and one joint venture, which are enlisted in Annexure-II.

About the company

KML, incorporated in June 1991 as Sona Car Seat Ltd., is one of the largest suppliers of seat sets and door trims to MSIL. In 1994, following the acquisition of a 24.3% stake by SMC and a 13.1% by MSIL, the company was renamed as KML. The present shareholding of SMC stands at 29.2% and that of MSIL at 15.8%. The company is involved in manufacturing seat sets and door trims for PVs, plastic injection moulded components for two-wheelers and PVs, as well as tools, dies and moulds for manufacturing sheet metal components and plastic parts.

Key financial indicators (audited)

KML Consolidated	FY2023	FY2024
Operating income	3,488.6	3,799.5
PAT	240.8	266.4
OPBDIT/OI	10.4%	10.6%
PAT/OI	6.9%	7.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.5
Total debt/OPBDIT (times)	0.2	0.5
Interest coverage (times)	52.3	28.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				December 31, 2024	September 27, 2023	June 15, 2022	May 21, 2021
1	**Fund Based Limits**	Long term and short term	150.00	**[ICRA]AA(Stable)/ [ICRA]A1+**	**[ICRA]AA(Stable)/ [ICRA]A1+**	**[ICRA]AA(Stable)/ [ICRA]A1+**	**[ICRA]AA(Stable)/ [ICRA]A1+**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short -term – Fund based/ Non fund based	Simple

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/ Short - term – Fund based/ Non fund based**	NA	NA	NA	150.00	[ICRA]AA (Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA]

Annexure II: List of entities considered for consolidated analysis

Company Name	KML Ownership	Consolidation Approach
SKH Metals Limited	0.00%*	Full Consolidation
Krishna Hanguk Technologies Private Limited	55.00%	Full Consolidation
Krishna Group Antolin Private Limited	50.00%	Equity Method

Source: Annual Report KML has extended a corporate guarantee for a portion of SKH Metal Limited' bank facilities*

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