

February 10, 2023

## DR Axion India Private Limited: Ratings placed on watch with developing implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based TL	197.00	197.00	[ICRA]BBB+ placed on watch with developing implication
Long Term - Fund Based/ CC	30.00	30.00	[ICRA]BBB+ placed on watch with developing implication
ST Fund based	35.00	35.00	[ICRA]A2 placed on watch with developing implication
<b>Total</b>	<b>262.00</b>	<b>262.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

Vide a BSE release dated February 01, 2023, it was announced that Craftsman Automation Limited ('CAL') has completed acquisition of 76% equity stake in DR Axion India Private Limited ('DRAIPL'/'the company'). This is a secondary and all-cash transaction, wherein CAL has acquired its stake in DRAIPL from Daerim International Co. Ltd., South Korea for Rs. 375 crore. CAL is an established auto ancillary, with presence in industrial and engineering segments as well. Within auto components, CAL manufactures power train products, cylinder blocks, cylinder heads, cam shafts and crank cases across various sub-segments.

ICRA takes note of the aforementioned development and has placed the ratings of [ICRA]BBB+ and [ICRA]A2 outstanding on the Rs.262.00 crore bank lines of DRAIPL on watch with developing implications, pending clarity on DRAIPL's strategy post the acquisition by CAL. ICRA will continue to monitor the developments and will take appropriate rating action as and when further details are available.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click Here](#).

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Auto Component Manufacturers</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

### About the company

Incorporated in December 2006, DR Axion India Private Limited ('DRAIPL'/'the company') manufactures cylinder heads, a critical auto component used in PVs as outer shell of internal combustion engines. The company currently caters to cylinder

head requirements of three OEMs – HMIL, KMIPL and MHIL – with close to 50% of its revenues derived from HMIL. DRAIPL's operations are supported by its parent (Daerim International Co. Ltd., South Korea), which provides technical and operational expertise. The company has a single manufacturing facility in Chennai with a production capacity of 11,00,000 units, involving low pressure and gravity die casting processes. Currently, 76% equity stake in the company was acquired by Craftsman Automation Limited, while the remaining 24% stake continues to be held by the Korean parent.

#### Key financial indicators (audited)

DRAIPL Standalone	FY2021	FY2022
Operating income	456.2	716.7
PAT	21.9	0.4
OPBDIT/OI	16.06%	7.75%
PAT/OI	4.80%	0.06%
Total outside liabilities/Tangible net worth (times)	1.6	1.9
Total debt/OPBDIT (times)	3.3	4.6
Interest coverage (times)	4.5	2.9

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

Instrument		Current rating (FY2023)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as of March 31, 2022 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					February 10, 2023	April 06, 2022	May 31, 2021	-	February 24, 2020
1	Long Term - Fund Based TL	Long term	197.00	93.85	[ICRA]BBB+&	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	[ICRA]BBB (Stable)
2	Long Term - Fund Based/ CC	Long term	30.00	-	[ICRA]BBB+&	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-
3	ST Fund based	Short term	35.00	-	[ICRA]A2&	[ICRA]A2	[ICRA]A2	-	[ICRA]A3+
4	Long Term / Short Term - Unallocated	Long-term /Short Term	0.00	-	-	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-

&: Rating Watch with Developing Implications

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund Based TL	Simple
Long Term - Fund Based/ CC	Simple
ST Fund based	Very Simple
Long Term / Short Term – Unallocated	Not Applicable

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 - Fund Based TL 1	Sep-2020	8.00%	Sep-2026	75.00	[ICRA]BBB+ rating watch with developing implication
NA	Long Term - Fund Based TL 2	Oct-2021	6.70%	Sep-2026	42.00	[ICRA]BBB+ rating watch with developing implication
NA	Long Term - Fund Based TL 3	Sep-2021	6.70%	Jun-2029	50.00	[ICRA]BBB+ rating watch with developing implication
NA	Long Term – Fund Based TL 4	Jan-2021	7.25%	Jan-2026	20.00	[ICRA]BBB+ rating watch with developing implication
NA	Long Term – Fund Based TL 5	Jan-2021	6.70%	Jan-2026	10.00	[ICRA]BBB+ rating watch with developing implication
NA	Long Term - Fund Based/ CC 1	NA	8.00%	NA	5.00	[ICRA]BBB+ rating watch with developing implication
NA	Long Term – Fund Based/CC 2	NA	6.70%	NA	15.00	[ICRA]BBB+ rating watch with developing implication
NA	Long Term – Fund Based/CC 3	NA	7.50%	NA	10.00	[ICRA]BBB+ rating watch with developing implication
NA	ST Fund based	NA	7.60%	NA	35.00	[ICRA]A2 rating watch with developing implication

Source: Company

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

### Annexure II: List of entities considered for consolidated analysis – None

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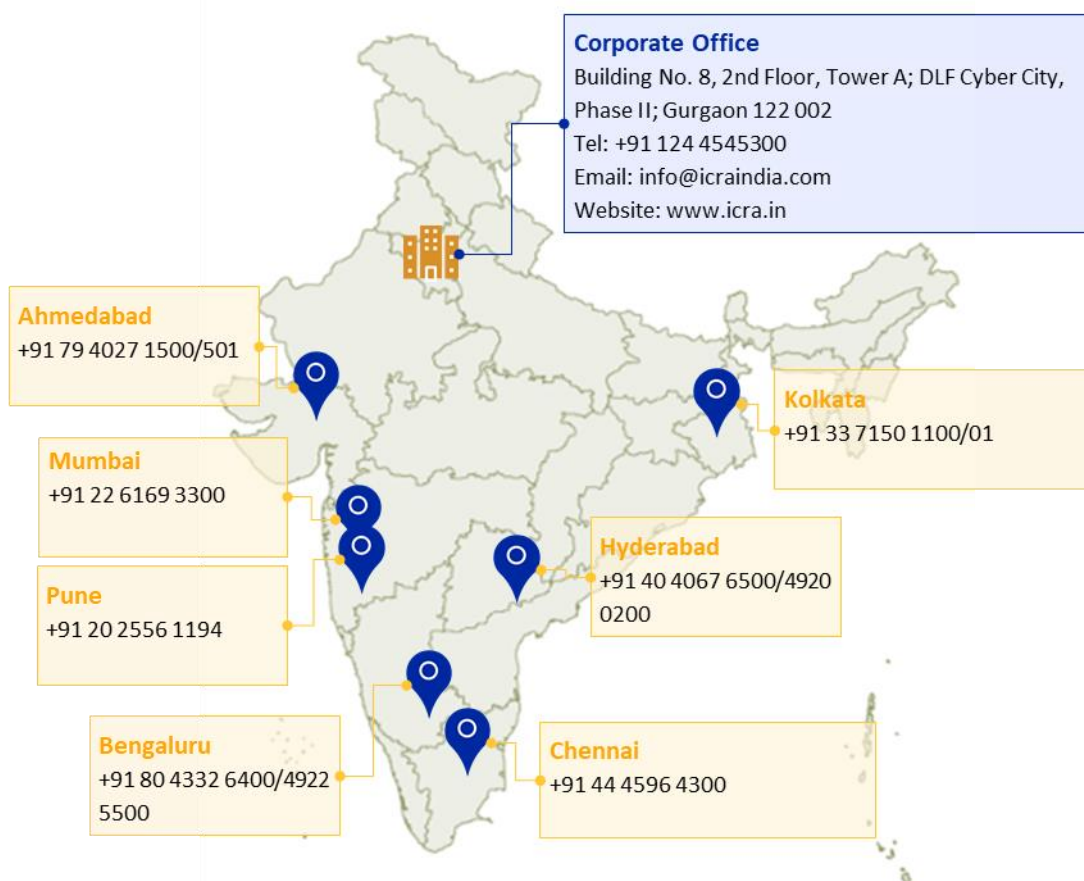


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