July 31, 2024

Sungwoo Stamping Private Limited: [ICRA]A- (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Euro Million)	Rating Action
Long-term – Unallocated Limits	10.00	[ICRA]A- (Stable); assigned
Total	**10.00**	

**Instrument details are provided in Annexure-I; Although the borrowings are denominated in foreign currency, ICRA's rating for the same is on the national scale as distinct from an international rating scale*

Rationale

The rating assigned to the bank facilities of Sungwoo Stamping Private Limited (SSPL) factors in the strong financial flexibility stemming from being a subsidiary of Sungwoo Hitech Co., Ltd. South Korea (SHI/parent), its operational linkages with the parent and SSPL's established relationship with Hyundai Motors India Limited (HMIL), being a key supplier of sheet metal components for the latter. In addition, the rating also factors in the company's comfortable financial profile and anticipated sustenance of the same going forward. SHI is a global component supplier to Hyundai Motor Company (HMC) and other global auto original equipment manufacturers (OEMs), the former being for over three decades. SSPL partly caters to HMIL's requirement of sheet metal parts across its various models and has had a long-standing relationship with HMIL for over a decade. SSPL receives operational and technological support from its parent company, and has strong financial flexibility, stemming from its parentage. ICRA draws comfort from SSPL's strong operational and financial linkages with SHI and financial flexibility/lender comfort arising from its parentage.

Healthy growth in the domestic passenger vehicles (PV) sales in the last few years along with periodic model launches by HMIL, SSPL's healthy share of business and new order wins have resulted in healthy revenue growth for SSPL over the last few years. The company a topline of Rs. 1,247.3 crore in FY2024 (unaudited) and its 4-year revenue CAGR stood at 13% for the period FY2020-FY2024. While the operating margins have been relatively thin (5.4% in FY2024), the healthy topline growth has translated into improvement in accruals over the years. SSPL's debt metrics were comfortable with Total Debt/OPBDITA of 0.9 times as on March 31, 2024 and interest coverage of 16.8 times in FY2024.

SSPL is exposed to customer concentration risk by virtue of deriving over 95% of revenues from HMIL, and its earnings are vulnerable to unfavourable forex movements. However, the former risk is partially offset by company's healthy share of business and periodic new business wins. Also, the company has sizeable capex plans of Rs. 225.0 crore in FY2025, primarily towards product and capacity expansions[1], to be funded through a mix of debt and internal accruals. Although the revenues from the new products could be minimal in the next 1-2 years, the debt metrics are expected to remain comfortable for the company going forward.

The stable outlook on the 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, strong operational and financial flexibility stemming from its parentage and reasonable share of business with HMIL.

[1] The company is looking at manufacturing battery cases as well, as part of HMIL's electric vehicle component localisation

Key rating drivers and their description

Credit strengths

Established relationship with HMIL being a key supplier of sheet metal components – SSPL partly caters to HMIL's requirement of sheet metal parts across its various models and has had a long-standing relationship with HMIL for over a decade. Further, its parent has established relationship with HMC for over three decades. The long-standing relationship, healthy share of business and order wins for new models has provided stability to revenues over the last several years, and this is expected to continue going forward as well. The company is also looking to manufacture battery cases as part of HMIL's EV component localisation and is expected to commence supplies for the same over the next few months.

Strong operational linkage with parent; strong financial flexibility stemming from parentage – SHI, is an auto component supplier to HMC and other global auto OEMs. SSPL receives operational and technological support from its parent company. Apart from this, SSPL also has strong financial flexibility and lender comfort, stemming from its parentage and ICRA draws comfort from the same.

Comfortable financial profile – Healthy growth in the domestic PV sales in the last few years along with periodic model launches by HMIL, SSPL's healthy share of business and new order wins have resulted in healthy revenue growth for SSPL over the last few years. The company a topline of Rs. 1,247.3 crore in FY2024 (unaudited) and its 4-year revenue CAGR stood at 13% for the period FY2020-FY2024. While the operating margins have been relatively thin (5.4% in FY2024), the healthy topline growth has translated into improvement in accruals over the years. SSPL's debt metrics were comfortable with Total Debt/OPBDITA of 0.9 times as on March 31, 2024 and interest coverage of 16.8 times in FY2024. The company has sizeable capex plans of Rs. 225.0 crore in FY2025, primarily towards product and capacity expansions[2], to be funded through a mix of debt and internal accruals. Although the revenues from the new products could be minimal in the next 1-2 years, the debt metrics are expected to remain comfortable for the company going forward.

Credit challenges

High customer concentration – SSPL has a high customer concentration as it derived over 95% of its revenues, directly or indirectly, from sales to HMIL in FY2024. While the revenue concentration exposes it to risks arising from HMIL's under-performance or loss of share of business to competition, the risk is partly offset by the company's healthy share of business and periodic new business wins (including the recent one for battery case manufacturing as part of HMIL's component localisation programme). SSPL is also looking to add more customers over the next few years, although the concentration with HMIL is likely to remain over the medium term.

Earnings susceptible to inherent cyclicality in the auto industry and unfavourable forex movements – SSPL derived over ~98% of the revenues in FY2024 from sales to the PV segment, thus exposing it to the cyclical trends in the auto industry. Also, SSPL derived only ~1% of its revenues from exports, while imports accounted for ~10% of the raw material cost in FY2024, making it a net importer. As a net importer and in the absence of a hedging mechanism at the company level in India, SSPL's earnings are vulnerable to unfavourable movements in exchange rates. Nevertheless, forex hedging at the parent level mitigates these risks to an extent.

Liquidity position: Adequate

SSPL's liquidity is adequate, aided by healthy anticipated cash flow from business and cash and liquid investments of Rs. 51.5 crore as of March 31, 2024. The company only has Rs. 10 lakh of sanctioned working capital facility, which is fully undrawn. As against these sources of cash, the company has capex plans of Rs. 225.0 crore in FY2025, primarily towards product and capacity expansions, to be funded through a mix of debt and internal accruals. Only maintenance capex is anticipated for

[2] The company is looking at manufacturing battery cases as well, as part of HMIL's electric vehicle component localisation

FY2026. The company also has repayment obligations of Rs. 43.8 crore in FY2025 and Rs. 14.3 crore in FY2026 on its existing loans. Overall, ICRA expects SSPL to be able to meet its near-term commitments.

Rating sensitivities

Positive factors – ICRA could upgrade the company's rating with sustained improvement in its customer diversification, scale of operations, earnings and debt protection metrics. A specific credit metric which could lead to upgrade include total debt/OPBITDA of less than 2.0 times on a sustained basis.

Negative factors – Negative pressure on the ratings could also arise if there is a sharp deterioration in the earnings or significant rise in debt levels, thus resulting in moderation of debt coverage metrics and liquidity position on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Sungwoo Stamping Private Limited manufactures sheet metal stampings and assemblies, primarily for Hyundai Motors India Limited. It derives its revenues predominantly from the domestic market and it has one manufacturing facility located in Sriperumbudur, Tamil Nadu.

The company is a subsidiary of Sungwoo Hitech Co. Ltd (parent). The parent has supplies similar products such as body parts, bumper rail, hot stampings, EV battery case and other sheet metal and assemblies for the automobile industry across the globe, including to Hyundai Motor Company, Korea. It has operations in South Korea, China, Europe, US and Mexico, apart from India. Apart from SSPL, the parent also has presence in India through two other entities Sungwoo Hitech India Private Limited (SHP; Chennai) and Sungwoo Hitech AP Private Limited (SHAP; Anantpur). SSPL and SHP provide parts to Hyundai Motors India Limited and SHAP provides parts to Kia India Private Limited. SHI Korea and SHP held a 56.90% and a 43.10% stake, respectively in SSPL as on March 31, 2024.

Key financial indicators

Standalone	FY2023 (Audited)	FY2024 (Unaudited)
Operating income	1,251.7	1,247.3
PAT	28.1	27.3
OPBDIT/OI	6.7%	5.4%
PAT/OI	2.2%	2.2%
Total outside liabilities/Tangible net worth (times)	0.6	0.4
Total debt/OPBDIT (times)	1.4	0.9
Interest coverage (times)	7.3	16.8

Source: Company, ICRA Research; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

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 (Euro Million)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			July 31, 2024	-	-	-
1 **Unallocated**	Long term	10.00	**[ICRA]A- (Stable)**	-	-	-

Although the borrowings are denominated in foreign currency, ICRA's rating for the same is on the national scale as distinct from an international rating scale

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Unallocated Limits	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 (Euro Million)	Current Rating and Outlook
NA	Long-term – Unallocated Limits	NA	NA	NA	10.00	[ICRA]A- (Stable)

Source: Company; Although the borrowings are denominated in foreign currency, ICRA's rating for the same is on the national scale as distinct from an international rating scale

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

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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