

February 14, 2025

Hwashin Automotive India Private Limited: Long-term rating reaffirmed; short-term rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - fund based - cash credit	95.00	95.00	[ICRA]A- (Stable); reaffirmed
Short-term - buyers credit	200.00	0.00	[ICRA]A2+; reaffirmed and withdrawn
Total	295.00	95.00	

*Instrument details are provided in Annexure I

Rationale

The rating action on the bank lines of Hwashin Automotive India Private Limited (HA IPL/company) considers ICRA's expectations that the company will maintain its credit profile with healthy earnings, debt metrics and strong liquidity. While the company's revenues are expected to moderate marginally in FY2025 owing to subdued offtake from its key customers, Hyundai Motor India Limited (HMIL) and KIA Motors Private Limited (KMIPL), a healthy launch pipeline of its clients is expected to support volume and revenue growth in FY2026. HA IPL's margins are expected to contract in FY2025 owing to reduced scale and increase in operating expenses. However, expected growth in scale of operations and other cost-optimisation measures undertaken by the company will lead to expansion in margins in FY2026. The debt metrics are also expected to remain comfortable as indicated by expected gearing and Total Debt/OPBDITA of less than 1.5 times, and interest coverage of over 5.0 times for FY2025e.

The ratings continue to favourably factor in HA IPL's healthy operational profile marked by long relationships with key customers and its tier-I and sole supplier status with its key clients for sheet metal part requirements. While HMIL continues to be its largest customer, revenue concentration on HMIL reduced to 63.7% in 9M FY2025 (from 75.4% in FY2019) with the addition of KMIPL from FY2020. The company enjoys healthy financial flexibility being part of Hwashin Company Limited, Korea (HCL), which has provided operational and financial support over years (operational support includes technical support, supply of parts, die castings, robots, spares, etc., and financial support includes equity funding, creditor funding, and corporate guarantee on most of HA IPL's loans).

The ratings are constrained by HA IPL's high geographical and segmental concentration risks as its entire revenues are derived from the passenger vehicle (PV) segment and most of the sales are to domestic OEMs and tier-I suppliers. The ratings also consider the volatility in profit margins, given the vulnerability of the same to fluctuations in input prices and foreign currency rates in the absence of a formal hedging mechanism and susceptibility of its earnings to the customers' performance.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that HA IPL's revenues and earnings will be supported by increasing production requirements and the company will continue to benefit from its strong parentage and its sole supplier status for sheet metal components for HMIL and KMIPL.

The short-term rating of [ICRA]A2+ has been reaffirmed and withdrawn at the company's request and based on the No Objection Certificate received from the lender, in accordance with ICRA's policy on withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Sole supplier of certain sheet metal parts for HMIL and KMPL - HAIPL enjoys long relationships with its clients, HMIL and KMIPL, both domestically and internationally, through the parent HCL, Korea (supplier of sheet metal parts/assemblies to HMC, Korea), which ensures stable order flows, thus providing a healthy revenue visibility for HAIPL over the long term. HAIPL caters to HMIL's requirements of sheet metal parts and components across various models like Hyundai i20, Verna, Venue, Xcent, Creta, Exter and KIA India's Seltos, Carens, Sonet, Syros, etc.

Comfortable financial risk profile – The company's financial profile is comfortable marked by healthy capital structure and coverage metrics with expected gearing and Total Debt/OPBDITA of less than 1.5 times, and interest coverage of over 5.0 times for FY2025e. TOL/TNW improved to 1.3 times as on December 31, 2024 from 1.9 times in FY2024, on account of reduced creditors (largely towards parent) and an improved net worth position with the accruals. The revenue is expected to contract marginally in FY2025 owing to decline in volumes and realisations, impacted by subdued demand growth in the PV segment. However, going forward, volumes are expected to improve on the back of a strong order book position and new product launches from HMIL and KMIPL. A healthy product mix, on the back of launch of higher end models like Creta, Venue, Seltos, etc., will likely improve the OPBDITA margins, after an estimated moderation in FY2025.

Strong financial flexibility on the back of strong parent – HAIPL's parent, South Korea-based HCL, is a global component supplier to Hyundai Motor Company (HMC). HAIPL has an established track record of manufacturing sheet metal components and receives operational support and technical expertise from its parent. HCL supports HAIPL through supply of parts, die castings, robots, spares, etc. In addition to incorporating the strong process-oriented systems, the company also employs state of the art, automated production lines used by the parent. Apart from the need-based technical support, HAIPL gets funding support for any capacity expansions with flexible payment terms. The parent also extends financial support in the form of corporate guarantee for the loans taken by HAIPL, thus enabling better financial flexibility with lenders for any requirements. The parent has provided support in the past in the form of equity infusions and through creditors.

Credit challenges

High segment and geographical concentration risks – The PV segment continues to account for the company's entire revenues and most of the sales pertain to domestic OEMs and their tier-I suppliers. This exposes its growth to the fluctuations in performance of the domestic PV segment. Over the recent years, the company has added new customers, domestically and globally, such as Hwashin Fabricante Automotivas Brazil and KMIPL to mitigate concentration risks. Despite the high revenue concentration risks, the long relationship with the parent (Hyundai Motor Company and HCL) provides comfort to revenue visibility.

Vulnerability of earnings to input costs and forex rates – The company's earnings remain vulnerable to movement in input prices and foreign exchange rates, as it does not employ formal hedging mechanisms on its imports and foreign currency loans (the forex is managed by the parent in Korea). Thus, any movement in the foreign exchange rates will have an impact on the profitability of the company.

Liquidity position: Adequate

HAIPL's liquidity position is adequate with expected retained cash flows of Rs 80-100 crore, cash and liquid investments of Rs. 121.3 crore as on December 31, 2024. The company has a capex outlay of Rs 80-100 crore in the next 12 months. ICRA expects HAIPL to be able to meet its capex funding through internal accruals and support from the parent, HCL.

Rating sensitivities

Positive factors – ICRA could upgrade the company's rating with sustained improvement in its operational (specifically segment/customer diversification) and financial profiles reflected in stable growth in revenues, earnings, debt protection metrics and liquidity position.

Negative factors – Pressure on the rating could arise, if there is a sharp deterioration in the earnings or significant rise in debt levels, resulting in moderation of debt coverage metrics. A specific credit metric which could lead to a downgrade is if TD/OPBITDA is more than 2.3 times, on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components Policy on Withdrawal of Credit Ratings
Parent/Group support	ICRA has considered the standalone credit profile of the company, factoring in the operational linkages and financial flexibility arising from the parent.
Consolidation/Standalone	Standalone

About the company

Hwashin Automotive India Private Limited (HA IPL), incorporated in India in 2002, is a wholly-owned subsidiary of Hwashin Company Ltd, Korea, and is involved in the manufacture and supply of stamped sheet metal components to automobile OEMs, namely Hyundai and KIA. The company is primarily a sheet metal component manufacturer which manufactures chassis parts (torsion beam, subframe, fuel tank, bumper rail, cowl bar, base assembly, cross member), engine parts (oil pan, heat protector), pedal parts (accelerator, brake, clutch) and body parts (apron, cowl complete, floor, hood, trunk). HA IPL also undertakes job work, mainly painting, for a few other HMIL's vendors. It has two manufacturing facilities at Sriperumbudur with a capacity to cater to 7,75,000 components for Hyundai and 3,50,000 components for KIA.

Key financial indicators (audited)

HA IPL	FY2023	FY2024
Operating income	2,432.4	2,486.1
PAT	54.8	45.9
OPBDIT/OI	7.1%	6.9%
PAT/OI	2.3%	1.8%
Total outside liabilities/Tangible net worth (times)	2.5	1.9
Total debt/OPBDIT (times)	1.8	1.4
Interest coverage (times)	4.2	7.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	Feb 14, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	95.00	[ICRA]A- (Stable)	02-APR-2024	[ICRA]A- (Stable)	-	-	09-Mar-2023	[ICRA]BBB+ (Stable)	23-Dec-2021	[ICRA]BBB (Stable)
Short term-buyers credit / suppliers' credit-fund based	Short Term	200.00	[ICRA]A2+; withdrawn	02-APR-2024	[ICRA]A2+	-	-	09-Mar-2023	[ICRA]A2	23-Dec-2021	[ICRA]A3+
Term loans	Long Term	-	-	-	-	-	-	09-Mar-2023	[ICRA]BBB+ (Stable)	23-Dec-2021	[ICRA]BBB (Stable)
Proposed unallocated Limits	Long term / Short term	-	-	-	-	-	-	-	-	23-Dec-2021	[ICRA]BBB (Stable) / [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity indicator
Cash Credit	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
-	Cash Credit	-	-	-	95.00	[ICRA]A-(Stable)
-	Buyer's Credit	-	-	-	200.00	[ICRA]A2+ Reaffirmed & Withdrawn

Source: Company

[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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