April 25, 2025

SKH Sheet Metals Components Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Working capital facilities	170.00	220.00	[ICRA]BBB+(Stable); reaffirmed/assigned
Long term – Fund based – Term loans	45.68	60.72	[ICRA]BBB+(Stable); reaffirmed/assigned
Short term – Non fund based – BG/LC	16.00	16.00	[ICRA]A2; reaffirmed
Long term / Short term – Interchangeable	(60.00)	(60.00)	[ICRA]BBB+(Stable)/[ICRA]A2; reaffirmed
Long term / Short term – unallocated limits	5.10	25.00	[ICRA]BBB+(Stable)/[ICRA]A2; reaffirmed/assigned
Total	**236.78**	**321.72**	

**Instrument details are provided in Annexure I*

Rationale

For arriving at the ratings, ICRA has consolidated the financials of SKH Sheet Metals Components Pvt. Ltd. (SKH SMC) and SKH Management Strategy Services India LLP (SKH LLP), with SKH SMC being the corporate guarantor for the entire debt raised by SKH LLP.

The ratings reaffirmation factors in the steady operational performance of SKH SMC (at a consolidated level), with the company having established relations with multiple original equipment manufacturers (OEM) as a sheet metal component supplier. As a part of the Krishna Group, SKH SMC benefits from the Group's association with OEMs, which has allowed steady business awards. At a standalone level, in addition to supplies to Group entities (end customers being Maruti Suzuki India Limited [MSIL]), the company has an established relationship for supplies of sheet metal components to the Volkswagen Group (both domestic and export supplies), wherein it has maintained a steady share of business over the years. While SKH SMC has already attained incremental business in the export markets, it continues to be in advanced negotiations to gain incremental content per vehicle for supplies to Skoda Auto Volkswagen India Private Limited. The established relationship with the Volkswagen Group and improving share of business provide comfort and mitigate the client concentration risk faced by the company to an extent. Further, with addition of SKH M India Private Limited (SKH M), the company acquired stamping business for some models of Tata Motors Limited (TML) and Mahindra & Mahindra Limited (M&M) from July 2024, thereby diversifying its customer profile and reducing concentration risk from one client.

Apart from its standalone operations, SKH SMC is also a holding company for entities operating in the metal business. The key investee companies within SKH SMC's portfolio have an established presence in the sheet metal forming business. There are no significant incremental investments planned in the investee companies, going forward, with most of them remaining self-sufficient to help meet their debt servicing obligations. An expectation of steady cash flow generation across various entities, aided by steady share of business with key customers, is likely to lead to a gradual improvement in leverage and debt coverage indicators (Total Debt/OPBDITA expected to moderate to ~3 times by FY2027). ICRA continues to favourably factor in the financial flexibility available to the company for being a part of the Krishna Group, a leading automotive component supplier in the Indian market.

The ratings, however, remain constrained by moderate consolidated financial risk profile, characterised by modest coverage metrics and gearing indicators. The company's debt profile increased materially with acquisition of stamping business from Magna Automotive India Private Limited (Magna India) at an estimated consideration of about Rs. 648 crore in FY2025. The overall external debt (excluding lease liabilities) of the company has increased to an estimated ~Rs. 1,390 crore as on March 31, 2025 from Rs. 660 crore as of March 31, 2024. Thus, the overall coverage and gearing indicators were impacted to an extent following the aforesaid transaction. However, with the first full year of business in FY2026, its profitability is expected to increase, leading to improvement in the coverage indicators and the overall financial risk profile, gradually.

Further, SKH SMC will incur a capex of another Rs. 100-150 crore in FY2026 to complete the setting of plants in two of its subsidiaries and will be funded through a mix of term debt and internal accruals. Incremental debt will continue to constrain the capital structure and coverage metrics. However, the same are likely to improve gradually with expected steady cash accruals. The Group has plans to further enhance its business position and remains open to any strategic acquisition/joint venture in this regard. The funding mix for any such initiatives would remain a key monitorable.

The Stable outlook on SKH SMC's long-term rating reflects ICRA's opinion that the company will continue to benefit from its established relationships with its customers and record moderate earnings growth over the medium term, leading to a gradual improvement in its credit metrics.

Key rating drivers and their description

Credit strengths

Strong business position for supplying sheet metal components – SKH SMC is a supplier of fuel tanks, axle housings, seat frame components, and other body-in-white (BIW) parts to various OEMs. Over the years, it has maintained a steady share of business for these parts. At a consolidated level, SKH SMC's key customer is MSIL (through supplies from subsidiaries). Apart from MSIL, the company derives most of its revenues from the Volkswagen Group (both domestic and export supplies). The company is a supplier of various BIW parts for the Group and has maintained a steady share of business over the years. Further, with addition of SKH M, the company acquired stamping business for some models of TML and M&M from July 2024, thereby diversifying its customer profile and reducing the concentration risk from one client to an extent.

Holding company for various Krishna Group entities in the sheet metal segment, with strong share of business in supplies to OEMs – Apart from its standalone operations, SKH SMC acts as a holding entity for the metal business of the Krishna Group. There are no significant incremental investments planned for the Group companies, going forward, with most investee companies remaining self-sufficient to help meet their debt servicing obligations. Even as the dividend receipts from the investee companies have remained minimal so far, their established presence as tier-I suppliers to leading automotive OEMs in the domestic market could provide healthy cash flows in the form of dividend income for SKH SMC, going forward.

Synergistic benefits for being a part of the Krishna Group – SKH SMC derives various synergistic benefits (technology and raw material procurement, for example) for being a part of the Krishna Group. Even as SKH SMC does not have technical collaboration agreements at a standalone level, it continues to have access to technological know-how from its Group entities, which have entered into technical collaboration agreements to expand their businesses. The technological know-how from Group entities is likely to help SKH SMC adapt to changing technological requirements of OEMs, thus helping it maintain a healthy share of business.

Credit challenges

Financial risk profile, characterised by modest leverage and debt coverage indicators – At a consolidated level, SKH SMC's financial risk profile is characterised by modest capital structure and debt coverage indicators. As of March 31, 2025, the company had a total debt of ~Rs. 1,700 crore on its books (at a consolidated level and including lease liabilities), resulting in a gearing of ~2.0 times. The debt coverage indicators remained modest, with the company having a Total debt/OPBDITA of 4-4.5 times and Total outside liabilities/Tangible net worth of 2.5-3.0 times for FY2025. The capital structure moderated in

FY2025 as the group availed debt to acquire business for SKH M and to fund the ongoing capex for the new plants under the subsidiaries. Steady year-on-year incremental accruals (aided by organic growth and planned acquisition) are expected to support the credit metrics and debt coverage metrics of the company.

Moderate client concentration risk at a consolidated level – Barring supplies to Group entities, SKH SMC's business at a standalone level is predominantly derived from the VW Group. While business growth for Group entities remains largely linked to the growth prospects of MSIL, the market leader in the domestic passenger vehicle industry, SKH SMC's performance and prospects remain closely linked to its ability to gain incremental business from the VW Group in domestic and overseas markets. Although a heavy dependence on the VW Group results in moderate client concentration risk, this is mitigated to an extent by the global presence of the strong business share of the company's supplies to the OEM. Addition of new business from TML and M&M from FY2025 reduced the client concentration risk from MSIL and strongly diversify the client risk profile as both M&M and TML have gained market share in the past couple of years on the back of strong performance of the utility vehicles (UV).

Modest capex plans over next two years at a Group level – On a consolidated basis, the major portion of the capex has been incurred in FY2025 towards acquisition of SKH M and setting up new plants in subsidiaries. Going forward, the Group will incur capex of about Rs. 100-150 crore in FY2026 towards completion of the capex for new plants. The capex is expected to be funded through a mix of term loans and internal accruals.

Liquidity position: Adequate

The liquidity is expected to remain adequate for the company, aided by expectation of healthy retained cash flows (~Rs. 150-200 crore per annum), available cash and liquid investments of Rs. 45-50 crore and buffer of ~Rs. 200 crore against the drawing power in working capital facilities on a consolidated level. The company has repayment obligations of about ~Rs.156 crore over the next twelve months and moderate capex requirements (~Rs. 150 crore over FY2026).

Rating sensitivities

Positive factors – The ratings could be upgraded in case of sustained improvement in scale of operations and profitability of the company, along with diversification in its geographical and customer profile on a sustained basis. Specific credit metrics that could lead to ratings upgrade include Total debt/OPBITDA of less than 2.3 times on a sustained basis.

Negative factors – The ratings could witness a downward revision in case of any adverse impact on the earnings of the company, resulting in a deterioration in debt protection metrics. The impact of any inorganic growth plans on the company's credit profile would remain a monitorable.

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 SKH Sheet Metals Components Private Limited and SKH Strategic Management Services LLP. As on March 31, 2024, the company had five subsidiaries, three associates and two joint ventures, which are all enlisted in Annexure-II.

About the company

SKH SMC is the holding entity for most of the SKH Group (metal business of the Krishna Group) entities. SKH SMC also has three manufacturing facilities at Binola (Delhi NCR), Ranjangaon (near Pune) and Chennai. The company has been the growth centre for the SKH Group's exports to global OEMs as well as its vehicle for expanding across all major automotive hubs of India. Its key products include seat structures, metal fuel tanks (passenger vehicles and two-wheelers), bumper brackets, ISOFIX assemblies, and various sheet metal components and assemblies (low and high tensile) for several Indian and global OEMs.

SKH SMC is held by Mr. Sunandan Kapur, who holds a 66.6% stake in it. The company also holds stakes in sister concerns like SKH Metals Limited, SKH Y TEC Pvt. Ltd., SKH M India Private Limited and other holding entities.

Key financial indicators

Consolidated (SKH SMC + SKH LLP) (ICRA Estimated)	FY2023	FY2024
Operating income	2,403.3	2,481.9
PAT	99.0	126.1
OPBDIT/OI	10.4%	11.9%
PAT/OI	4.1%	5.1%
Total outside liabilities/Tangible net worth (times)	2.1	2.1
Total debt/OPBDIT (times)	2.8	2.8
Interest coverage (times)	5.1	5.6

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

Key financial indicators (Audited)

Consolidated (SKH SMC reported)	FY2023	FY2024
Operating income	2,383.2	2,445.8
PAT	75.6	93.3
OPBDIT/OI	9.0%	10.1%
PAT/OI	3.2%	3.8%
Total outside liabilities/Tangible net worth (times)	2.3	2.4
Total debt/OPBDIT (times)	3.3	3.3
Interest coverage (times)	4.4	4.7

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

Current rating (FY2026)					Chronology of rating history for the past 3 years							
			FY2026		FY2025		FY2024				FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	60.72	**Apr 25, 2025**	**[ICRA]BBB+ (Stable)**	-	-	Jan 19, 2024	[ICRA]BBB+ (Stable)	Aug 29, 2023	[ICRA]B+(Stable) Issuer Not Cooperating; withdrawn	Feb 28, 2023	[ICRA]B+(Stable) Issuer Not Cooperating
Fund-based facilities	Long-term	220.00	**Apr 25, 2025**	**[ICRA]BBB+ (Stable)**	-	-	Jan 19, 2024	[ICRA]BBB+ (Stable)	-	-	Feb 28, 2023	-
Non Fund Based Facilities	Short-term	16.00	**Apr 25, 2025**	**[ICRA]A2**	-	-	Jan 19, 2024	[ICRA]A2	-	-	Feb 28, 2023	-
Interchangeable Limits	Long-term/ Short-term	(60.00)	**Apr 25, 2025**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-	-	Jan 19, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	Feb 28, 2023	-
Unallocated limits	Long-term/ Short-term	25.00	**Apr 25, 2025**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-	-	Jan 19, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	Feb 28, 2023	-
Unallocated limits	Long-term	-	-	-	-	-	-	-	Aug 29, 2023	[ICRA]B+(Stable) Issuer Not Cooperating; withdrawn	-	[ICRA]B+(Stable) Issuer Not Cooperating
Cash credit	Long-term/ Short-term	-	-	-	-	-	-	-	Aug 29, 2023	[ICRA]B+(Stable)/[ICRA]A4 Issuer Not Cooperating; withdrawn	-	[ICRA]B+(Stable)/ [ICRA]A4 Issuer Not Cooperating
Non fund based	Long-term/ Short-term	-	-	-	-	-	-	-	Aug 29, 2023	[ICRA]B+(Stable)/[ICRA]A4 Issuer Not Cooperating; withdrawn	-	[ICRA]B+(Stable)/ [ICRA]A4 Issuer Not Cooperating

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term-Fund Based Facilities	Simple
Long Term-Fund Based-Term Loans	Simple
Short Term-Non Fund Based Facilities	Very simple
Long term / Short term –Interchangeable	Very simple
Long term / Short 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 (Rs. crore)	Current rating and outlook
NA	Term Loan – 1	-	NA	FY2027	3.93	[ICRA]BBB+(Stable)
NA	Term Loan – 2	-	NA	FY2028	3.37	[ICRA]BBB+(Stable)
NA	Term Loan – 3	-	NA	FY2030	29.00	[ICRA]BBB+(Stable)
NA	Term Loan – 4	-	NA	FY2026	2.44	[ICRA]BBB+(Stable)
NA	Term Loan – 5	-	NA	FY2026	1.98	[ICRA]BBB+(Stable)
NA	Term Loan – 6	FY2025	NA	-	20.00	[ICRA]BBB+(Stable)
NA	Cash credit	NA	NA	NA	220.00	[ICRA]BBB+(Stable)
NA	Bank guarantee/ Letter of credit	NA	NA	NA	16.00	[ICRA]A2
NA	Interchangeable Limits	NA	NA	NA	(60.00)	[ICRA]BBB+(Stable)/[ICRA]A2
NA	Unallocated Limits	NA	NA	NA	25.00	[ICRA]BBB+(Stable)/[ICRA]A2

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	Ownership	Consolidation Approach
SKH Sheet Metals Components Private Limited	100.00% (rated entity)	Full Consolidation
SKH SMC Gmbh	100.00%	Full Consolidation
SKh Y-Tec India Private Limited	51.00%	Full Consolidation
SKH Jai Hanuman Components Private Limited	99.99%	Full Consolidation
SKH Metals Limited	60.86%	Full Consolidation
SKH M India Private Limited	60.00%	Full Consolidation
Comfort Bus Seats Pvt. Ltd.	49.00%	Equity method
Uranus Auto Seat Trims Pvt. Ltd.	26.00%	Equity method
SKH Sila India Pvt. Ltd.	26.15%	Equity method
Marelli SKH Exhaust Systems Pvt. Ltd.	50.00%	Equity method
SIAC SKH India Cabs Manufacturing Pvt. Ltd.	50.00%	Equity method
SKH Strategy Management Services India LLP	0.00%	Full consolidation

Source: SKH SMC annual report for FY2024

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