May 09, 2025

ABI-Showatech (India) Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Term loan	97.00	64.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Fund based – Cash credit	55.00	45.00	[ICRA]A+ (Stable); reaffirmed
Short-term – Non-fund based limits	20.00	45.00	[ICRA]A1; reaffirmed
Total	**172.00**	**154.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation of ABI-Showatech (India) Private Limited (ABI) considers its steady business position as a tier-II supplier of turbocharger components for automotive applications, its diversified geographic presence, and comfortable debt coverage metrics.

ABI has well-established process capabilities in aluminium gravity die-casting, billet milling and machining of complex components for turbochargers. It is a supplier of key components used in the manufacturing of turbochargers, namely bearing housing, turbine housing, compressor housing, turbine wheel, and compressor wheel, etc., which are supplied to large turbocharger manufacturers, such as Turbo Energy Private Limited (TEPL) (rated [ICRA]AA(Stable)/[ICRA]A1+), and Borg Warner Turbo Systems Worldwide GmbH (BW). As the company's supplies have an end use in both passenger and commercial vehicles, with revenues derived evenly from both these automobile segments, it extends the benefits of segment diversity to the company's credit profile. The ratings also consider the company's diversified geographical footprint with around 65% of the revenues derived from supplies to domestic customers and the balance from Europe, the US, Mexico, etc. ABI's debt metrics are also comfortable with Total Debt to OPBDITA estimated at around 1.0 times for FY2025 (similar level as the preceding year).

To reduce dependence on the turbocharger segment, ABI has been investing in the aerospace industry. While a meaningful ramp-up of this new business segment will enhance business diversification over the long term, the company's profitability indicators have been impacted by the development costs incurred and delays in commercial production/scale-up.

In terms of recent performance trends, the company's standalone revenues are estimated to have declined by around 13% in FY2025 owing to end-of-life cycle of product supplied to a major customer and slowdown in global demand. Additionally, reduced operating leverage and the reduced proportion of more profitable exports led to a decline in the operating margins, estimated at around 11% in FY2025 (15.3% in FY2024). In FY2026, while the revenue growth in the auto segment is expected to remain muted due to the slowdown in demand from the US, an anticipated scale-up of revenues from the aerospace segment is expected to result in low single- digit revenue growth. The operating margins are expected to improve to 11-12% in FY2026, aided by scale benefits and cost-control measures.

The ratings are constrained by the customer concentration risk that the company faces with the top two customers accounting for 60-65% of revenues in FY2024 and FY2025. The recent imposition of tariffs by the US Government on the company's products (25% tariff on steel derivative products applicable to precision machined parts (PMP)) is likely to weigh on the company's earnings in the near term. However, ABI's established relationships with its customers (predominantly Group companies) and strong operational linkages with them mitigate this risk to an extent. Further, ABI's products could face long-term threat from the development of alternative vehicle architectures like electric vehicles, which do not use turbochargers. The scale-up of revenues from the aerospace sector shall mitigate this risk in the long term.

The Stable outlook on the long-term rating reflects ICRA's opinion that ABI's credit profile will remain supported by steady growth in revenues and earnings, going forward, driven by ramp-up of aerospace revenues and benefiting from its steady market position with its primary customers, thus maintaining comfortable debt metrics.

Key rating drivers and their description

Credit strengths

Healthy financial profile – ABI witnessed a healthy revenue CAGR of 15.4% during the four-year period ending FY2024, aided by increase in share of business with new and existing customers. However, the company's revenue de-grew by ~13% in FY2025E owing to end-of-life cycle of product supplied to a major client and slowdown in global demand. The reduced operating leverage with decline in scale and a change in revenue mix with slowdown in global demand in the auto segment, resulted in a decline in its operating margins to 10-11% in FY2025E (against 15.3% in FY2024). For FY2026, the company is expected to witness a low single-digit growth, despite a slowdown in global demand in the auto segment, supported by expected improved revenues from the aerospace segment. The operating margins are expected to improve to 11-12% in FY2026, aided by scale benefits and cost-control measures. ABI's gearing and DSCR are expected to remain strong at 0.1-0.3 times and 2.3-2.8 times in FY2025E, respectively. However, with sizeable investments in the aerospace segment, RoCE levels are expected to remain low in the near term, though they are expected to improve, going forward.

Sales to established players in export market and to Group companies in domestic market lead to recurring revenues – ABI supplies machined turbocharger components namely bearing housing, turbine housing, compressor housing, turbine wheel, and compressor wheel to TEPL and BW, leading manufacturers of turbochargers in the domestic and global markets, respectively. It also supplies machined brake components to the ZF Group and BIPL. Its long presence and strong relationships with reputed clientele have aided revenue growth over the years.

Entry into aerospace segment to support business diversity over long term – The company has invested Rs. 165-170 crore in the aerospace sector in the recent years. A successful ramp-up of this sector will insulate it from any potential long-term risks like increased adoption of EV vehicles by diversifying its revenue base and reducing concentration in the auto segment.

Credit challenges

Revenues and earnings vulnerable to impact of tariffs by USA and any automotive demand slowdown - Given its large dependence on the automotive segment, ABI's revenues and earnings are susceptible to the cyclicality in automotive demand from both the domestic and export markets. ICRA notes that the company has been investing in the aerospace segment to diversify its revenue base; however, sizeable development costs and delay in the ramp-up/commercial production have impacted the company's margins. The recent imposition of tariffs by USA on the company's products (25% tariff on steel derivative product applicable to precision machined parts (PMP)) is likely to weigh on the company's earnings in the near term. However, the company's strong operational linkages with its clients mitigate the risk to an extent. The margins are also exposed to volatility in raw material prices and forex rates.

High customer concentration – The company faces high customer concentration risks with its top two customers accounting for 60-65% of the revenues in FY2024 and FY2025E. However, the established relationships with the customers (predominantly Group companies) and ABI's strong wallet share with its customers for the products it supplies, mitigate the risk to an extent.

Technological changes such as transition to EVs may impact revenues in the long term – ABI derives more than two-thirds of its revenues from sale of turbocharger components to the domestic and export markets. It faces a potential threat from the development of alternative vehicle architecture like electric vehicles, which do not use turbochargers. The company has been investing in developing products for the aerospace sector to mitigate this risk; successful scale-up of the same remains a monitorable.

Liquidity position: Adequate

ABI's liquidity is adequate**.** The company is expected to generate retained cash flows of Rs. 70-80 crore in FY2026 and had cash and liquid balances of Rs. 16.8 crore, along with buffer in working capital limits of Rs. 125.0 crore as on March 31, 2025. Against these sources of funds, it has a repayment obligation of Rs. 27.8 crore and a planned capex of Rs. 80-100 crore over the next one year. Overall, ICRA expects ABI to be able to meet its medium-term commitments through internal sources of funds.

Rating sensitivities

Positive factors - ICRA could upgrade ABI's ratings, if the company demonstrates a sustained improvement in scale and profitability, while diversifying its revenue base to meaningfully scale-up the non-automotive business.

Negative factors - Pressure on ABI's ratings could arise, if the company witnesses sustained deterioration in the top line and operating profits, resulting in weakening of debt protection metrics and profitability. Specific credit metrics which could lead to a downgrade include TD/OPBITDA of more than 2 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	Standalone

About the company

ABI-Showatech (India) Private Limited (ABI) is a tier-II manufacturer involved in casting and machining of precision automotive components for the domestic and export markets. Its process capabilities include aluminum gravity die-casting and CNC machining. ABI primarily caters to the global turbocharger market, where it primarily exports to BorgWarner Inc., for the European market and to Turbo Energy Private Limited (rated [ICRA]AA(Stable)/[ICRA]A1+), a group company which is the market leader in the domestic turbocharger market (65% market share in FY2024) in India.

ABI procures aluminum from Europe/domestic markets, steel from the domestic market, manufactures aluminum raw castings (few bought-outs also procured from BIPL), machines it and sells the same to players manufacturing the end product (primarily turbochargers and brakes). The design for the products is shared by the customers.

ABI also supplies brake cylinders to BIPL in the domestic market and ZF Friedrichshafen in USA, a global automotive parts supplier, which in turn is sold to auto ancillaries in North America.

Key financial indicators (audited)

ABI Standalone	FY2023	FY2024	9M FY2025*
Operating income	775.4	869.3	554.8
PAT	46.9	56.8	22.7
OPBDIT/OI	13.5%	15.3%	10.3%
PAT/OI	6.0%	6.5%	4.1%
Total outside liabilities/Tangible net worth (times)	0.4	0.3	0.3
Total debt/OPBDIT (times)	1.2	1.0	1.1
Interest coverage (times)	33.8	20.3	12.6

*Source: Company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional financials*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 09, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long-term	64.00	[ICRA]A+ (Stable)	-	-	19-Feb-24	[ICRA]A+ (Stable)	14-Dec-22	[ICRA]A+ (Stable)
Fund based – Working capital facility	Long-term	45.00	[ICRA]A+ (Stable)	-	-	19-Feb-24	[ICRA]A+ (Stable)	14-Dec-22	[ICRA]A+ (Stable)
Non-fund based – Working capital facility	Short-term	45.00	[ICRA]A1	-	-	19-Feb-24	[ICRA]A1	14-Dec-22	[ICRA]A1
Unallocated limits	Long-term/ Short-term	-	-	-	-	19-Feb-24	-	14-Dec-22	[ICRA]A+ (Stable)/ [ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-Term – Fund Based – Term Loan	Simple
Long Term – Fund Based – Cash Credit	Simple
Short Term – Non-Fund Based Limits	Very 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 – Fund-Based – Cash Credit	NA	NA	NA	45.0	[ICRA]A+ (Stable)
NA	Short Term - Non-Fund Based	NA	NA	NA	45.0	[ICRA]A1
NA	Long Term – Fund Based – Term Loan	FY2018	NA	FY2027	26.0	[ICRA]A+ (Stable)
NA	Long Term – Fund Based – Term Loan	FY2024	NA	FY2031	38.0	[ICRA]A+ (Stable)

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

ANALYST CONTACTS

Jitin Makkar
+91 012 4454 5368
jitinm@icraindia.com

Nithya Debbadi
+91 40 6939 6416
nithya.Debbadi@icraindia.com

Srikumar K
+91 44 4596 4318
ksrikumar@icraindia.com

Nikhil Parakh
+91 44 4596 4321
nikhil.parakh@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches