May 26, 2025

SIAC SKH India Cabs Manufacturing Private Limited: Ratings upgraded to [ICRA]BBB+(Stable)/[ICRA]A2

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loans	12.23	3.00	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB (Stable)
Long-term – Fund-based – Working capital	90.00	90.00	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
Short term – Interchangeable limits	(15.00)	(15.00)	[ICRA]A2; upgraded from [ICRA]A3+
Total	**102.23**	**93.00**	

**Instrument details are provided in Annexure I*

Rationale

The upgrade in the ratings of SIAC SKH India Cabs Manufacturing Private Limited (SIAC SKH) factors in the sustained business performance of the company, maintaining a strong share of business in supplies of cabins to JCB India Limited (JCB), the market leader in the domestic backhoe loader segment, and continued improvement in the leverage indicators (Total Debt/ OPBITDA has moderated to around 2.2 times in FY2025 from 4.8 times in FY2022). The company's revenues have improved at a healthy pace over the past two years to ~Rs. 946 crore in FY2025 (from Rs. 752.5 crore in FY2023) owing to healthy demand in infrastructure development and construction activities. Continued steady end-user demand, coupled with expectations of a ramp-up in supplies for new businesses gained, is expected to help the company generate steady cash accruals, leading to an improvement in its credit metrics.

The ratings continue to favourably factor in the technological support enjoyed by SIAC SKH from its parent company, SIAC S.p.A, a leading European designer and manufacturer of cabins for off-highway applications to various global original equipment manufacturers (OEMs). SIAC SKH, benefitting from the technological support, has gained business for various vehicle segments of JCB and Caterpillar India Private Limited (Caterpillar) over the years. The technological support from SIAC S.p.A. underpins the company's abilities to adapt to the changing technological requirements of the OEMs for different types of construction equipment.

Despite improvement in the scale of operations in the past two years, the EBIDTA margin for the company remained muted at 2.4% in FY2025 and 3.8% FY2024, with SIAC SKH continuing to shell out a material portion of its profits as royalty to SIAC S.p.A. and management fee to the promoter entity. The scale of operations of the entity is expected to grow at a moderate pace over the next few years, aided by an increase in supplies to new customers. A substantial reduction in term debt over the past two years and reduction in utilisation of the working capital limits have improved the capital structure and the coverage metrics of the company (Interest coverage of 5.6 times in FY2025), which are expected to further strengthen in the near future as the company does not plan to incur any material capex plan.

The ratings continue to be constrained by the inherent cyclical nature of the mining and construction equipment (MCE) industry, which exposes the company to periodic downturn in demand. SIAC SKH also remains exposed to the client concentration risk, with ~85% of its revenues generated from a single customer, JCB. The risk is, however, mitigated to an extent by the market leadership status of JCB in the backhoe loader segment and its strong share of business. Further, the company has reduced its dependence on JCB over the last two years by increasing its revenues from Caterpillar and supplying cabins (although in small quantity) to other customers, viz., Tadano Ltd., Manitou Group and Escorts Kubota Ltd., etc. The company has also onboarded some new customers in the recent past with supplies likely to begin in FY2026. As the scale of these supplies is currently limited, the company's growth prospects would continue to be primarily linked to that of JCB India in the near-to-medium term.

The Stable outlook on the long-term rating reflects ICRA's opinion that SIAC SKH will continue to benefit from its strong technological capabilities, helping it maintain a strong share of business with JCB as well as a healthy credit profile.

Key rating drivers and their description

Credit strengths

Technological support from parent entity aids in design and development capabilities; synergistic benefits for being a part of the Krishna Group – SIAC SKH enjoys access to technological support from its parent company, SIAC S.p.A, a leading European designer and manufacturer of cabins for agricultural machinery, dozers, excavators, forklifts, backhoe loaders and other mining and construction equipment, for various global OEMs. The technological support from SIAC S.p.A aids the company in adapting to JCB's changing technological requirements, thus helping it maintain a healthy share of business in cabin supplies. The company also derives various synergistic benefits (like raw material procurement) for being a part of the Krishna Group, a leading automotive component supplier in the domestic market.

Strong business position as sole supplier for cabins to JCB – SIAC SKH is a leading supplier of cabins to JCB, the market leader in the domestic backhoe vehicle segment. The company enjoys a 100% share of business (SOB) in the backhoe segment for JCB's Ballabhgarh (Haryana) and Jaipur (Rajasthan) plants. Apart from supplies to JCB for the domestic market, SIAC SKH also supplies cabins for JCB's export requirements. Its strong business position provides healthy revenue visibility.

Comfortable capital structure and debt coverage indicators – A sustained improvement in its scale of operations in the past few years, coupled with stable profitability, has led to a reduction in debt of the company. The overall debt has reduced from Rs. 126 crore as of March 31, 2022 to about Rs. 50 crore as of March 31, 2025. Coupled with stable accruals to the net worth, the company's overall capital structure has improved, as indicated by a gearing of 0.5 times as of March 31, 2025 against 1.6 times as on March 31, 2022. With stable profitability and consistent reduction in debt, the debt/OPBIDTA has improved to 2.2 times in FY2025 from 4.8 times in FY2022. Going forward, a sustained improvement in its scale of operations is expected to further improve the capital structure and debt coverage indicators.

Credit challenges

Exposed to high client concentration risk; JCB's market leadership status mitigates risk – Around 89% of SIAC SKH's revenues in 11M FY2025 and FY2024 came from a single customer, JCB. Although a heavy dependence on JCB results in a high client concentration risk, it is mitigated to a large extent by JCB's market leadership in the backhoe segment (~80% market share in India in FY2025) and SIAC SKH's healthy SOB with JCB. ICRA expects the company's concentration on JCB to remain high over the near-to-medium term, even as it continues to focus on getting business from new clients (in construction equipment as well as tractor segments) to diversify its customer base.

Inherent cyclicality of MCE industry – The performance of the MCE industry is strongly linked to the underlying performance of the Indian economy and the pace of infrastructure investments, which lead to cyclicality in the industry. The company's ability to successfully navigate through these cycles remains critical. The increase in input prices owing to the change in emission norms and hardening input costs, along with extended monsoons and muted rentals are major factors which may result in volume variances as seen in FY2023. This had a bearing on the volumes of SIAC SKH as well and affected its operational performance. However, over the past two years, with the Government's continuous focus on infrastructure and construction sector, the volumes have seen a healthy growth despite the impact of the General Elections in Q1 FY2025. Going forward, the volumes are expected to grow at a moderate pace, aided by steady demand in the mining and construction equipment sector.

Thin profit margins constrain return indicators – The company's operating profit margins have remained thin in the past three years in the range of 2-4% as the JV partners withdraw profits in the form of royalty (SIAC) and management fee (promoter entity) of 2.5% each on the sales to JCB. This has constrained the return indicators as seen in RoCE of ~10% in FY2025. Going forward, the margins are expected to remain similar in the range of FY2025 as the management will continue to pay out management fee and royalties to the JV partners in the absence of any material capex plans or repayment obligations.

Liquidity position: Adequate

SIAC SKH's liquidity profile remains **adequate**, supported by availability of undrawn working capital limits (average of Rs. 45 crore as of February 2025 against the drawing power) as well as expectation of steady cash accruals (Rs. 15-20 crore per annum). Against this, the company has repayment obligations of Rs. 2.9 crore in FY2026 and limited maintenance capex plans. SIAC SKH is expected to largely meet its fund requirements over the near term from internal accruals. Moreover, the company continues to enjoy healthy financial flexibility for being a part of the Krishna Group.

Rating sensitivities

Positive factors – An upgrade in the ratings could be triggered if there is a sustained increase in the company's scale of operations, leading to a further improvement in return and debt coverage indicators.

Negative factors – The ratings could be downgraded if there is a sizeable drop in the scale of operations due to headwinds in the MCE industry, weakening the company's financial risk profile. Further, a significant drop in the company's share of business with JCB could also impact the ratings negatively. A specific credit metric for ratings downgrade includes total debt/OPBDITA exceeding 2.5 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

SIAC SKH, incorporated in 2009, is a joint venture between SKH Sheet Metal Components Pvt. Ltd. (50%; a holding company for the metal division of the Krishna Group, a leading automotive supplier present in various sectors such as real estate, media and travel) and SIAC S.p.A. (50%; a leading European cabin manufacturer for mining, construction equipment and agricultural machinery). The company is involved in the fabrication of cabins for construction equipment makers such as JCB and Caterpillar with presence across different product segments, viz., backhoe loaders, wheeled loaders, skid steer loaders, etc. It has three plants, one each at Prithla (Haryana; supporting JCB's Ballabhgarh plant), Jaipur (supporting JCB's Jaipur plant) and Pune (Maharashtra; supplying to Caterpillar's plant). SIAC SKH has a combined annual production capacity of ~91,400 cabins.

Key financial indicators (audited)

HMC MM	FY2023	FY2024
Operating income	752.5	899.9
PAT	8.9	12.3
OPBDIT/OI	4.4%	3.8%
PAT/OI	1.2%	1.4%
Total outside liabilities/Tangible net worth (times)	2.4	2.0
Total debt/OPBDIT (times)	2.4	2.1
Interest coverage (times)	4.0	5.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 26, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	3.00	[ICRA]BBB+ (Stable)	Apr-25-2024	[ICRA]BBB (Stable)	-	-	Jan-30-2023	[ICRA]BBB- (Stable)
								Jun-06-2022	[ICRA]BBB- (Stable)
Fund-based working capital	Long-term	90.00	[ICRA]BBB+ (Stable)	Apr-25-2024	[ICRA]BBB (Stable)	-	-	Jan-30-2023	[ICRA]BBB- (Stable)
								Jun-06-2022	[ICRA]BBB- (Stable)
Interchangeable*	Short-term	(15.00)	[ICRA]A2	Apr-25-2024	[ICRA]A3+	-	-	Jan-30-2023	[ICRA]A3
								Jun-06-2022	[ICRA]A3
Unallocated Limits	Long-term / Short-term	-	-	-	-	-	-	Jan-30-2023	[ICRA]BBB- (Stable)/ [ICRA]A3

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loans	Simple
Long-term – Fund-based – Working capital	Simple
Short term – Interchangeable limits	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	**Term Loans**	FY2019-FY2021	NA	FY2025-FY2027	3.00	[ICRA]BBB+(Stable)
NA	**Fund-based working capital**	NA	NA	NA	90.00	[ICRA]BBB+(Stable)
NA	**Interchangeable limits**	NA	NA	NA	(15.00)	[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: Not applicable

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ABOUT ICRA LIMITED

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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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