July 04, 2025

SKH Metals 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 – Term loans	261.37	345.08	[ICRA]A-(Stable); reaffirmed/assigned
Long-term / Short-term – Fund based limits	260.00	295.00	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed/assigned
Short-term – Non fund based limits	10.00	10.00	[ICRA]A2+; reaffirmed
Total	**531.37**	**650.08**	

**Instrument details are provided in Annexure I,*

Rationale

The reaffirmation of the ratings of SKH Metals Limited (SKH Metals) continues to favourably factor in the steady operational performance of the company, aided by its healthy share of business for select sheet metal-based components with Maruti Suzuki India Limited (MSIL), the leading passenger vehicle (PV) manufacturer in the Indian market. The company remains the sole supplier for metal fuel tanks and front suspension frame to MSIL across various models. The ratings also consider the strong parentage of the company, with MSIL holding a 37.03% stake and the Krishna Group (a leading auto component supplier group) holding a 62.97% stake. This strong parentage is expected to provide timely funding support and aid the revenue growth prospects of the company, helping it generate healthy cash flows.

The ratings positively factor in the company's healthy scale of operations, aided by a strong share of business for MSIL's vehicles and stable demand of MSIL's models in the domestic market. The company achieved revenue of Rs. 1,247 crore (provisional financials) in FY2025, which grew marginally from Rs. 1,202.3 crore in FY2024. The revenues are expected to grow at a healthy pace over the medium term as the company will commission Kharkhoda plant in Q2 FY2026 for new and existing models of MSIL. The OPBITDA margin moderated to 7.0% in FY2025 (9.0% in FY2024) owing to hike in steel prices, inflationary pressure on costs and pre-operative expenses of the Kharkhoda plant. The margins are expected to gradually improve in FY2026 and are expected to scale up once the Kharkhoda plant stabilizes, supported by increased content per vehicle and cost control measures. Even as the company's ability to improve profitability in a challenging macro-economic environment remains monitorable, easing of steel prices and improved operating leverage are likely to aid a gradual increase in margins over the near term.

ICRA notes that MSIL's gradual replacement of metal fuel tanks with plastic ones to reduce the weight of its new models, is likely to adversely impact the company's revenue growth prospects over the next few years. However, SKH Metals has been supplying fuel tanks to Suzuki Motorcycle India Private Limited and is the sole supplier for Suzuki scooters at present, which support the revenues from this product category. Further, SKH Metals has been able to gain incremental business for body-in-white (BIW) parts for MSIL's various models, mitigating the overall impact on revenues. The company has almost completed Kharkhoda plant's phase 1 capex and incurred about Rs. 300 crore till date for the same. The same will be commissioned in Q2 FY2026, in line with MSIL's plans.

ICRA notes that the company has recently indicated plans for deleveraging the capital structure with an expected equity infusion from a leading global automotive player. The same is expected to help reduce the leverage for the company and improve the capital structure. The developments in this regard will be monitored.

The ratings remain constrained by SKH Metals' moderate financial risk profile with stretched capital structure, modest profitability and high client concentration risk, with revenues predominantly derived from a single customer. Given the same, the company remains exposed to cyclicality in the domestic automobile market. However, its strong share of business with MSIL and favourable ownership pattern along with MSIL's status as the largest domestic PV manufacturer, mitigate the risk to an extent.

The Stable outlook on the long-term rating reflects ICRA's expectation that despite a moderation in the credit metrics, owing to the entity's ongoing capex plans to enhance capacity, the same are likely to gradually improve over the medium term and remain at levels commensurate to the rating level.

Key rating drivers and their description

Credit strengths

Access to financial and operational support for being a part of the Krishna Group – The company is a part of Krishna Group (promoted by Mr. Ashok Kapur), a leading automotive component supplier in the Indian market. The automotive business of the Group is split into two verticals, the metal division (SKH Metals being the flagship concern) and the interior division. The company benefits from the Group's established relationships with various automotive original equipment manufacturers (OEMs) and derives certain operational efficiencies such as centralised procurement for certain raw materials. Krishna Maruti Limited (KML) has also provided irrevocable and unconditional guarantee for the major portion of SKH Metals' debt. The same has helped the company secure lower interest rates from the banks, providing comfort regarding SKH Metals' ability to meet its debt servicing obligations in a timely manner.

Strong business position in the sheet metal segment with MSIL – SKH Metals is a leading supplier of fuel tanks and sheet metal assemblies to MSIL, the market leader in the domestic PV industry. The products supplied by SKH Metals include metal fuel tanks, suspension frames/control arms, and other BIW parts. Over the years, SKH Metals has maintained a healthy share of business with MSIL for the supply of the said products. The company remains the sole supplier to the OEM (Haryana plant) for metal fuel tanks and has gradually increased its share of business for BIW parts. Further, the average content per vehicle for BIW parts is expected to rise owing to an increase in the number of parts supplied, improved tensile strength, and the company's enhanced technological capabilities, thereby providing adequate revenue visibility for the company.

Technical collaborations support product development capabilities – SKH Metals has entered into technical collaboration agreements to gain access to technology with various players that include Okamoto, Japan, a leading global fuel tank manufacturer (for new product design and validation of fuel tanks), Bentler AG (for new product design and validation of frame suspensions) and Y-Tec Corporation (for design and validation of BIW parts manufactured with high tensile steel). The technological support from various leading players is likely to help SKH Metals adapt to MSIL's changing requirements and maintain a healthy share of business in sheet metal supplies.

Credit challenges

Moderate financial risk profile – SKH Metals' financial risk profile remains modest, characterised by moderate gearing and debt coverage indicators owing to significant addition of debt to fund the capex requirements. The company reported a gearing of 2.3 times (previous year [PY]: 1.9 times), Debt/OPBDITA of 6.8 times (PY: 3.8 times) and interest coverage of 3.8 times (PY: 3.9 times) in FY2025 (based on provisional financials). The company has availed significant term debt for its Kharkhoda plant capex, which moderated the capital structure and coverage indicators, and will continue to impact the same in the near term as well. Timely commissioning of the plant and incremental revenue and profitability will be closely monitored, going forward. The expected equity infusion in the near term is likely to provide some support to its financial profile and will aid in deleveraging the balance sheet to an extent.

High client concentration risk with MSIL, however, OEM's market leadership mitigates risk to an extent – SKH Metals' business is predominantly driven by a single customer, MSIL, thus, the ancillary's performance and prospects are closely linked to that of the OEM. Although the same results in a high client concentration risk, this is largely mitigated by MSIL's market leadership in the PV segment, favourable ownership pattern (a 37.03% stake held by MSIL), and strong business share. SKH

Metals also started supplying metal fuel tanks to Suzuki and is the sole supplier for its scooters with sales of Rs. 59 crore in FY2025. Despite the same, ICRA expects SKH Metals' concentration on MSIL to remain high over the medium term. Hence, the company's growth prospects would primarily depend on its ability to generate more business from MSIL.

Substantial capex plans likely to constrain any improvement in capital structure – The company is setting up a new manufacturing facility at MSIL's vendor park in Kharkhoda. The overall project cost for the plant is about Rs. 350 crore out of which the company has already incurred about 80% till the end of FY2025 and the remaining will be incurred in the current fiscal. The plant is expected to cater to the upcoming models of MSIL in FY2026 as well as some existing models. The project is being funded in a debt-to-equity mix of 3:1 and, thus, in the near term, the capital structure and the coverage indicators are expected to remain modest. Incremental revenue and profitability will support capital structure and coverage indicators once the plant is commissioned. Completion of the capex in a timely manner and within the stipulated budget will be tracked, going forward.

Liquidity position: Adequate

SKH Metals' liquidity is likely to remain **adequate** with expected retained cash flow of Rs. 50-70 crore in FY2026 and moderately high fund-based working capital utilisation with a buffer of ~Rs. 17 crore as of April 2025, against the drawing power (however, an additional Rs. 30 crore of working capital limit sanctioned in FY2024 and FY2025 remains unutilised as on date, providing additional buffer for liquidity). The company has Rs. 47-48 crore of repayment obligations in FY2026 and an estimated capex plan of Rs. 150-200 crore over the next 12-15 months. Moreover, the company enjoys healthy financial flexibility for being a part of the Krishna Group, which is expected to aid timely raising of debt to fund the capex plans. KML, the Group's flagship entity, has also extended corporate guarantee (CG) for 20-25% of SKH Metals' outstanding debt.

Rating sensitivities

Positive factors – A material scale-up in operations while improving profitability and debt coverage indicators would be critical for ratings upgrade. Specific credit indicators that could lead to an upward revision in ratings include Total Debt/OPBITDA below 2.5 times on a sustained basis.

Negative factors – The ratings may be downgraded in case of a material deterioration in the profitability indicators and credit metrics of the company because of higher-than-expected debt-funded capex or weakness in demand in the PV industry. A deterioration in KML's (Group company which has provided guarantee to a material percentage of the overall debt) credit profile or weakening of the company's linkages with KML could also trigger a rating revision.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology] [Auto components]
Parent/Group support	The ratings assigned factor in the high likelihood of its group company, KML, extending financial support to SKH Metals out of the need to protect its reputation from the consequences of a Group entity's distress
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SKH Metals Limited. As on March 31, 2025, the company had two joint ventures and one associate company, which are enlisted in Annexure-II. The scale of operations of the consolidated entity is not material, and the standalone credit profile remains the primary rating driver

About the company

SKH Metals Limited, a JV between MSIL (a 37.03% stake) and the Krishna Group (a 62.97% stake), manufactures automotive components, including welded sheet metal parts and assemblies at its Haryana plants. The company is one of the leading suppliers to MSIL in four product categories—fuel tanks, suspension frames/control arms, BIW parts and axle housings. The company was incorporated in 1986 as Mark Auto Industries Limited (MAIL), a JV among MSIL (a 48.7% equity stake) and other Indian promoters (with a combined equity stake of 51.3%). In 2005, the Krishna Group, led by its Chairman, Mr. Ashok Kapur, bought a 51.3% equity stake held by the initial promoters, with MSIL holding the balance stake. The company's shareholding further changed after the equity infusion by the Krishna Group of Companies, with the Group holding a 62.97% share as on date.

Key financial indicators (audited)

SKH Metals, Consolidated	FY2023	FY2024
Operating income	1,128.2	1,202.3
PAT	21.3	27.5
OPBDIT/OI	7.7%	9.0%
PAT/OI	1.9%	1.9%
Total outside liabilities/Tangible net worth (times)	2.7	2.8
Total debt/OPBDIT (times)	4.2	3.8
Interest coverage (times)	3.9	3.9

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**
Term loans	Long-term	345.08	**Jul 04, 2025**	**[ICRA]A-(Stable)**	Apr 18, 2024	[ICRA]A-(Stable)	-	-	Jan 06, 2023	[ICRA]A-(Stable)
			-	-	-	-	-	-	Dec 05, 2022	[ICRA]A-(Stable)
			-	-	-	-			Apr 11, 2022	[ICRA]A-(Stable)
Non fund based limits	Short-term	10.00	**Jul 04, 2025**	**[ICRA]A2+**	Apr 18, 2024	[ICRA]A2+	-	-	Jan 06, 2023	[ICRA]A2+
			-	-	-	-	-	-	Dec 05, 2022	[ICRA]A1+ (CE) withdrawn; [ICRA]A2+ assigned simultaneously
			-	-	-	-			Apr 11, 2022	[ICRA]A1+ (CE)
Fund-based – Working capital facilities	Long-term /Short-term	295.00	**Jul 04, 2025**	**[ICRA]A-(Stable)/ [ICRA]A2+**	Apr 18, 2024	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	Jan 06, 2023	[ICRA]A-(Stable)/[ICRA]A2+
			-	-	-	-	-	-	Dec 05, 2022	[ICRA]A-(Stable)/[ICRA]A2+
			-	-	-	-			Apr 11, 2022	[ICRA]A-(Stable)/[ICRA]A2+
Term loans (CE)	Long-term	-	**-**	-	-	-	-	-	Dec 05, 2022	[ICRA]AA-(CE) (Stable) withdrawn; [ICRA]A-(stable) assigned simultaneously
			-	-	-	-			Apr 11, 2022	[ICRA]AA-(CE) (Stable)
Fund-based bank facilities (CE)	Long-term /Short-term	-	**-**	-	-	-	-	-	Dec 05, 2022	[ICRA]AA-(CE) (Stable)/ [ICRA]A1+ (CE) withdrawn; [ICRA]A-(stable)/ [ICRA]A2+ assigned simultaneously
			-	-	-	-	-	-	Apr 11, 2022	[ICRA]AA-(CE) (Stable)/ [ICRA]A1+
Fund-based bank facilities (CE)	Long-term /Short-term	-	-	-	-	-	-	-	Dec 05, 2022	[ICRA]AA-(CE) (Stable)/ [ICRA]A1+(CE) withdrawn; [ICRA]A-(Stable)/ [ICRA]A2+ Assigned Simultaneously
			-	-	-	-	-	-	Apr 11, 2022	[ICRA]AA-(CE) (Stable)/ [ICRA]A1+ (CE)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loans	Simple
Long-term/ Short-term – Fund-based – Working capital facilities	Simple
Short term – Non fund based	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	**Term Loans**	FY2015	NA	FY2032	345.08	[ICRA]A-(Stable)
NA	**Working capital facilities**	NA	NA	NA	295.00	[ICRA]A-(Stable)/[ICRA]A2+
NA	**Non fund based limits**	NA	NA	NA	10.00	[ICRA]A2+

*Source: Company, *Sub-limit of term loans*

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

Annexure II: List of entities considered for consolidated analysis:

Company Name	SKH Metals Ownership	Consolidation approach
SKH Metals Limited	100.00% (rated entity)	Full Consolidation
SKH Marelli Exhaust Systems Private Limited	50.00%	Equity method
SKH Sila India Pvt. Ltd.	13.85%	Equity method
SKH Cabs Manufacturing Pvt. Ltd.	50.00%	Equity method

Source: Company

Note: ICRA has considered consolidated financials of the parent (SKH Metals), its joint ventures and associates while assigning the ratings.

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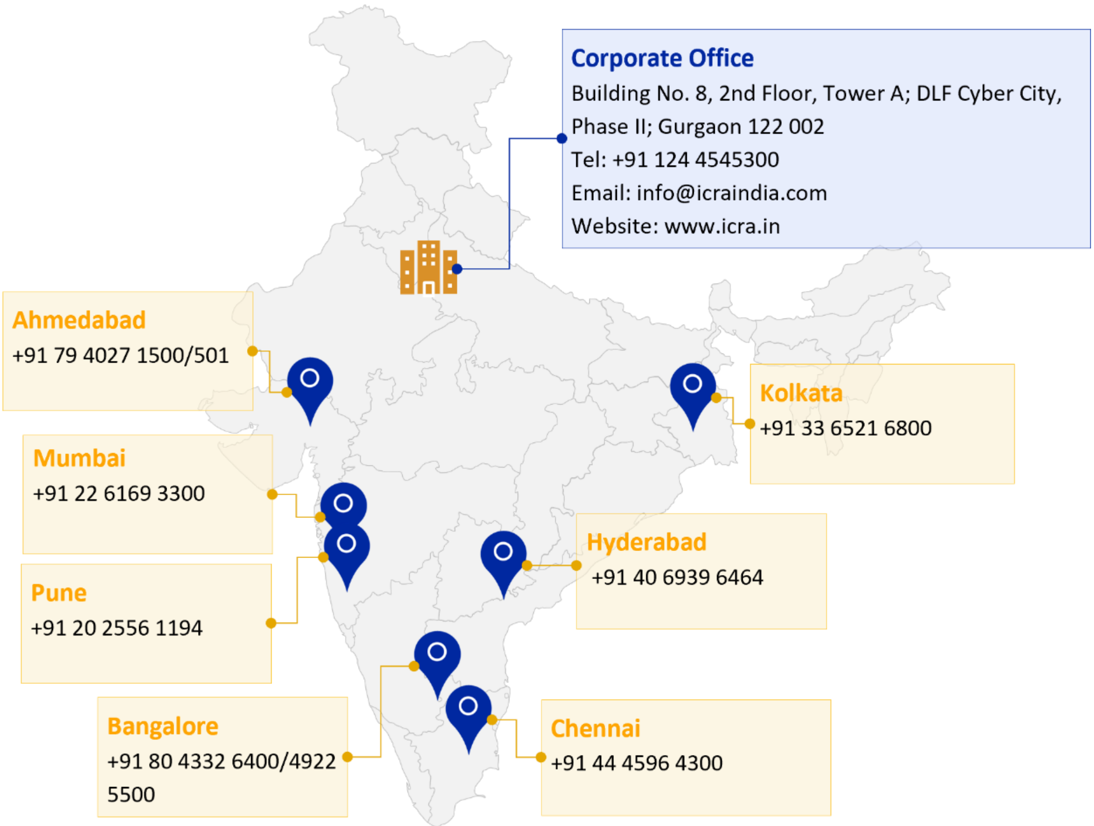

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