July 31, 2025

SKH Y-Tec India Private Limited: Ratings reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based – Term loans	97.47	81.22	[ICRA]BBB(Positive); reaffirmed with change in outlook to Positive from Stable
Long term – Fund based – Working capital	40.00	40.00	[ICRA]BBB(Positive); reaffirmed with change in outlook to Positive from Stable
Short term – Non-fund based limits	10.00	10.00	[ICRA]A3+; reaffirmed
Short term – Interchangeable limits	(10.00)	(10.00)	[ICRA]A3+; reaffirmed
Total	**147.47**	**131.22**	

**Instrument details are provided in Annexure-I*

Rationale

The revision in the outlook on the long-term rating to Positive reflects ICRA's expectation that the credit profile of SKH Y-Tec India Private Limited (SKH Y-Tec) is expected to improve going forward, aided by increasing cash flows on the back of an increase in the scale of operations, benefitting from ramp-up in supplies from the enhanced capacity set-up to cater to Suzuki Motors Gujarat Private Limited (SMG).

The ratings reaffirmation continues to factor in the steady operational performance of SKH Y-Tec, supported by its established business relationship with SMG, SKH Y-Tec's key customer. The company is expanding its production capacity from 7.5 lakh units to 10 lakh units per annum to align with the expansion plans of Maruti Suzuki India Limited's (MSIL) Gujarat plant.

SKH Y-Tec was established as a joint venture (JV) between the Krishna Group and Y-Tec Corporation, Japan, to cater to the high-tensile sheet metal requirements of MSIL, the market leader in the domestic passenger vehicle (PV) industry. The equity participation of Y-Tec Corporation has enabled SKH Y-Tec to receive technological support, which underpins its ability to adapt to SMG's evolving requirements. This support has helped the company maintain a healthy share of business (SOB) in sheet metal supplies to the original equipment manufacturer (OEM).

With a continued increase in the overall capacity from 2.5 lakh units in FY2017 to 7.5 lakh units in FY2024, and further to 10 lakh units in FY2026, and rising production level at its manufacturing plant, SKH Y-Tec has witnessed a healthy ramp-up in its scale of operations. The company's revenue growth prospects are expected to remain strong over the medium term, supported by business wins for new models, including electric vehicles (EVs). While the company's operating margins were impacted in FY2025 due to pre-operative expenses related to the expanded capacity, they are expected to improve going forward, driven by higher content per vehicle (CPV) from new MSIL models and increasing operational scale. Most of the debt-funded capex for capacity expansion has been completed, and the new unit is expected to commence commercial operations from Q2 FY2026. As a result, the company is likely to witness material revenue growth starting FY2027. The company availed approximately Rs. 225 crore to fund the capacity expansion, which is expected to keep debt coverage indicators under pressure in the near term. However, the indicators are expected to gradually improve, supported by incremental cash flows from new business gains.

SKH Y-Tec applied for state goods and services tax (SGST) reimbursement from 2016 to 2025 under the Scheme for Incentives to Industries (General) 2016-2021, introduced by the Gujarat Government to promote new investments in the manufacturing sector. The management submitted the application in FY2018, however, there has been a significant delay in disbursement due to various factors. According to the management, the company is yet to receive reimbursements amounting to approximately Rs. 195 crore, and the total claim continues to accumulate year-on-year until it is settled by the government. The company has received about Rs. 9.5 crore in the current financial year and expects additional receipts during the current fiscal. Any incremental receipts in this regard are expected to support the company's liquidity profile.

The ratings continue to remain constrained by the company's concentration risk, with the passenger vehicle (PV) segment being its sole end-user sector. Additionally, the company faces high client concentration risk, as its revenues are primarily generated from MSIL's Gujarat plant. However, this risk is partially mitigated by MSIL's market leadership in the PV segment and SKH Y-Tec's position as a leading supplier of high-value sheet metal components to MSIL.

Key rating drivers and their description

Credit strengths

Strong position as a leading supplier of sheet metal components to MSIL's Gujarat plant – SKH Y-Tec is a leading supplier of sheet metal assemblies to MSIL, the market leader in the domestic passenger vehicle (PV) industry. The company is the sole supplier of select body-in-white (BIW) sheet metal components like suspension frames, control arms, and others for MSIL. It has secured business for supplying high-tensile steel-based sheet metal assemblies to the OEM and has benefited from higher content per vehicle and share of business, partly because some of its peers have not established manufacturing units in Gujarat.

The company has a manufacturing capacity aligned with MSIL's Gujarat plant. It plans to maintain this alignment, keeping its capacity linked to that of the OEM. Over the near-to-medium term, any incremental demand for MSIL's vehicles is expected to be met primarily from production at MSIL's Gujarat plant. As SKH Y-Tec is a leading supplier of sheet metal assemblies for MSIL's requirements, its revenue growth prospects remain healthy.

Technological support from JV partner aids in design and development capabilities – SKH Y-Tec benefits from technological support provided by its JV partner, Y-Tec Corporation, a leading Japanese supplier of high-tensile chassis, body, functional, transmission, and engine components to various global OEMs. In collaboration with SKH Metals Limited, Y-Tec Corporation has played a key role in developing high-tensile BIW parts for select MSIL models. This technological support is expected to help SKH Y-Tec adapt to MSIL's evolving requirements and strengthen its business prospects.

Access to financial support from parent entity; synergies arising from being a part of the Krishna Group – SKH Y-Tec derives various synergistic benefits (especially raw material procurement and negotiations with lending institutions for competitive interest rates) for being a part of the Krishna Group. The company is also expected to benefit from access to financial support from its parent entity, SKH Sheet Metals Components Private Limited (SKH SMC; 51% shareholding).

Credit challenges

High client concentration risk, however, MSIL's market leadership position partly mitigates the same – SKH Y-Tec's business is primarily derived from a single customer, MSIL (formerly SMG). As a result, the company's performance and growth prospects are closely tied to those of MSIL. While this leads to high client concentration risk, it is largely mitigated by MSIL's market leadership in the PV segment (with a ~40.9% market share in FY2025) and SKH Y-Tec's strong SOB with MSIL, estimated at 40-45%. ICRA expects the company's dependence on MSIL to remain high over the medium term, given the absence of any significant customer diversification plan. Consequently, its growth prospects will continue to be closely linked to MSIL's performance.

High segmental concentration on PVs – As the company caters exclusively to MSIL's models, its revenues are directly dependent on domestic PV volumes. At present, its supplies are limited to just four models, exposing it to model-specific demand risks. Although supplies for a new model are expected to commence in FY2026 and for electric vehicles (EVs) in H1 FY2026, ICRA expects both model and segmental concentration risks to remain elevated over the medium term.

Modest capital structure and debt coverage indicators – The company made a sizeable investment of approximately Rs. 250 crore over FY2024-FY2025 towards capacity expansion, primarily funded through debt. The capex was largely financed by term loans, which led to a moderation in the capital structure and debt coverage indicators over the past two years.

As of March 31, 2025, the total debt (including lease obligations) stood at around Rs. 248 crore, the majority of which is in the form of capex-backed term loans. This resulted in a gearing of 1.1 times and a total debt-to-OPBITDA ratio of 3.8 times. A ramp-up in revenue generation from the new plant is expected to improve these metrics over the medium term. Besides, the company anticipates receipt of pending incentives from the Gujarat Government, which once disbursed, would support its debt coverage indicators and liquidity profile.

Liquidity position: Adequate

SKH Y-Tec's liquidity is expected to remain **adequate**, supported by an estimated retained cash flow of approximately Rs. 40-50 crore in FY2026 and a working capital buffer of around Rs. 20 crore as of May 31, 2025, against long-term debt repayment obligations of Rs. 32-35 crore over the next 12 months. The company is expected to meet its repayment obligations through internal accruals. Additionally, SKH Y-Tec's liquidity is expected to remain supported by SGST reimbursements from the Government of Gujarat under its incentive scheme. About Rs. 9.5 crore has already been received in YTD FY2026, and further receipts are expected during the current fiscal.

Rating sensitivities

Positive factors – A material ramp-up in revenues while improving profitability indicators, resulting in higher cash flows and a consequent improvement in the financial risk profile, could lead to a positive rating action. Moreover, receipt of Government incentives, leading to a material improvement in the financial profile, could also result in a positive rating action. An improvement in the credit profile of the parent entity could also lead to ratings upgrade. Specific metric that could lead to an upgrade include Total debt/OPBDITA below 2.5 times, on a sustained basis.

Negative factors – A weakness in demand in the PV industry, impacting the company's scale of operations and cash flows could exert pressure on ratings. A sizeable debt-funded capex not accompanied by ramp-up in revenue resulting in a deterioration in the financial risk profile would remain a key monitorable. A weakness in the credit profile of the parent entity, SKH SMC, or any material weakening of linkages with SKH SMC could also trigger ratings review. Specific metrics such as Total debt/OPBDITA above 3.0 times, on a sustained basis, may trigger ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto components
Parent/Group support	The assigned ratings factor in the very high likelihood of its parent entity, SKH SMC (rated [ICRA]BBB+(Stable)/[ICRA]A2]), extending financial support to it because of the close business linkages between them. ICRA also expects SKH SMC to be willing to extend financial support to SKH Y-Tec out of the need to protect its reputation from the consequences of a Group entity's distress
Consolidation/Standalone	Standalone

About the company

Incorporated in 2016, SKH Y-Tec is a JV between SKH Sheet Metal Components Private Limited (51%, a holding company for the metal division of the Krishna Group, a leading automotive supplier with presence in real estate, media and travel sectors) and Y-Tec Corporation (49%, a leading Japanese automotive supplier of high-tensile parts). The company manufactures automotive components (including welded sheet metal parts and assemblies) for MSIL from its plant in Hansalpur (Gujarat). As on date, the company has a production capacity of 10 lakh units per annum, in line with MSIL's Gujarat plant capacity.

Key financial indicators

SKH Y-Tec (Standalone)	FY2024	FY2025*
Operating income	752.7	821.4
PAT	30.6	32.5
OPBDIT/OI	9.2%	7.9%
PAT/OI	4.1%	4.0%
Total outside liabilities/Tangible net worth (times)	2.3	1.8
Total debt/OPBDIT (times)	2.6	3.8
Interest coverage (times)	9.5	12.6

*Source: Company, ICRA Research; *Provisional numbers; 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

Instrument	Type	Current rating (FY2026)			Chronology of rating history for the past 3 years					
		Amount rated (Rs. Crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	81.22	**Jul 31, 2025**	**[ICRA]BBB (Positive)**	Jun 28, 2024	[ICRA]BBB (Stable)	Apr 27, 2023	[ICRA]BBB (Stable)	-	-
Working capital limits	Long-term	40.00	**Jul 31, 2025**	**[ICRA]BBB (Positive)**	Jun 28, 2024	[ICRA]BBB (Stable)	Apr 27, 2023	[ICRA]BBB (Stable)	-	-
Non fund based limits	Short-term	10.00	**Jul 31, 2025**	**[ICRA]A3+**	Jun 28, 2024	[ICRA]A3+	Apr 27, 2023	[ICRA]A3+	-	-
Interchangeable limits	Short-term	(10.00)	**Jul 31, 2025**	**[ICRA]A3+**	Jun 28, 2024	[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 – Non-fund based limits	Very Simple
Short-term – Interchangeable 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	**Term Loan-I**	FY2023	NA	FY2028	6.22	[ICRA]BBB(Positive)
NA	**Term Loan-II**	FY2024	NA	FY2032	75.00	[ICRA]BBB(Positive)
NA	**Working capital**	NA	NA	NA	40.00	[ICRA]BBB(Positive)
NA	**Non fund based**	NA	NA	NA	10.00	[ICRA]A3+
NA	**Interchangeable**	NA	NA	NA	(10.00)	[ICRA]A3+

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
+91 124 4545 368
jitinm@icraindia.com

Srikumar Krishnamurthy
+91 44 45964 318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545 808
rohan.kanwar@icraindia.com

Akshay Dangi
+91 124 4545 396
kshay.dangi@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

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ICRA Limited

Registered Office

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

Branches