

October 17, 2025

## SKH Marelli Exhaust Systems 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 loan	13.28	6.27	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB(Stable)
Short-term – Fund based / Working capital facilities	105.00	105.00	[ICRA]A2; upgraded from [ICRA]A3+
Short-term – Non-fund based limits	6.09	6.09	[ICRA]A2; upgraded from [ICRA]A3+
<b>Total</b>	<b>124.37</b>	<b>117.36</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The upgrade in the ratings of SKH Marelli Exhaust Systems Private Limited (SKH Marelli) reflects ICRA's expectation of a sustained improvement in its financial risk profile, supported by stable operations and profitability. With steady cash accruals, the company's dependence on external debt is expected to remain limited, resulting in strong debt coverage metrics.

The ratings continue to draw comfort from SKH Marelli's established position as a key supplier of exhaust systems to Maruti Suzuki India Limited (MSIL), the market leader in the passenger vehicle segment. The company benefits from its strong parentage, as it is a joint venture between Marelli S.p.A., Italy, and SKH Metals Limited (a part of the Krishna Group). Marelli's global product development capabilities, combined with the Krishna Group's domestic manufacturing and marketing strengths, have enabled SKH Marelli to maintain a robust share of business with MSIL.

Despite some moderation in revenues due to fluctuations in the price of Monolith, a key raw material accounting for ~80% of revenues, SKH Marelli's scale of operations remained healthy in FY2025, supported by strong demand from the automotive sector. An expected recovery in the entry-level car segment, where SKH Marelli holds a 100% share of business (SOB) with MSIL, is likely to support its earnings growth over the near-to-medium term.

The ratings remain constrained by SKH Marelli's high dependence on a single customer, MSIL, which contributes 95-97% of its revenues. However, this risk is partially mitigated by MSIL's leadership position in the passenger vehicle segment and SKH Marelli's strong share of business for select models. The company faces product concentration risk, given its exclusive focus on exhaust systems, which could be impacted by the transition to electric vehicles (EVs). Nonetheless, ICRA notes that EV penetration in the overall passenger vehicle industry is expected to remain moderate over the medium term. Additionally, sustained demand growth in the PV segment is likely to support SKH Marelli's earnings. The company remains exposed to raw material price volatility, particularly for monolith—a precious metal that accounts for 90-95% of its total cost. Fluctuations in monolith prices can materially impact profitability. ICRA notes that SKH Marelli earns a handling charge for managing Monolith inventory, which partially offsets the carrying cost.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will continue to maintain a steady scale of operations, aided by a healthy demand in the passenger vehicle market and MSIL's market leadership position. Despite the company's thin profit margins, the credit metrics are likely to remain at healthy levels, in absence of material capex plans.

## Key rating drivers and their description

### Credit strengths

**Strong business position in the exhaust systems segment with MSIL** – SKH Marelli is a supplier of exhaust systems for Maruti Suzuki India Limited (MSIL). The company has substantially improved its share of business (SOB) for exhaust systems with MSIL over the years and commands a SOB of around 45% at present. Coupled with a healthy SOB, MSIL's dominant position in passenger vehicle industry with a healthy market share of around 41% provides ample growth opportunity for the company. In the backdrop of MSIL's healthy expansion plans and the company's healthy SOB with MSIL, SKH Marelli's scale of operations is expected to grow at a moderate to healthy pace.

**Access to technical support from parent entity, Marelli, supports product development capabilities** – SKH Marelli enjoys technological support from its JV partner, Marelli S.p.A, Italy, a leading Italian auto component supplier with a diversified presence in segments such as electric powertrain, thermal comfort and solutions, exhausts systems, automotive lighting and sensors and motorsport technology, etc., to various global OEMs. The technological support from Marelli is likely to help SKH Marelli adapt to MSIL's changing technological requirements in terms of research and development and support its business prospects, going forward.

**Comfortable debt coverage metrics** – Aided by limited dependence on debt, the coverage indicators for the company have remained healthy for the past few years, as indicated by an interest cover of 6.4 times and total debt/OPBITDA of 1.6 times in FY2025. The term loans (Rs. 5.2 crore outstanding as of March 31, 2025) are expected to be repaid by FY2027. Steady year-on-year accruals are expected to continue to support the company in maintaining healthy debt coverage metrics, going forward.

### Credit challenges

**Limited business diversification; MSIL's market leadership position mitigates risk to an extent** – SKH Marelli's business emanates from a single product segment (exhaust systems) and is majorly derived from a single customer, MSIL. Thus, the company's performance and prospects are closely linked to that of MSIL. Although this results in high client concentration risk, the same is mitigated to a large extent by MSIL's market leadership in the passenger vehicle (PV) segment and SKH Marelli's strong SOB with MSIL. ICRA expects the company's concentration on MSIL to remain high over the medium term, in the absence of any material customer diversification plan.

**Profit margin vulnerable to volatility in raw material prices** – The company's operating margins are susceptible to fluctuations in the prices of key raw material, monolith which comprises about 90% of the overall manufacturing expenses. However, SKH Marelli has demonstrated its ability to largely pass on the increase in raw material costs, which mitigates the risk to an extent. Additionally, ICRA notes that the company earns a charge for monolith handled, which compensates the company for the carrying cost of holding inventory of the metal.

**Susceptible to demand slowdown in domestic automotive market and transition to electric vehicles** – Given its dependence on the automotive segment, SKH Marelli's revenues and earnings are susceptible to the cyclicity in automotive demand from both the domestic and export markets. Going forward, its earnings will remain exposed to any sharp slowdown in automotive demand apart from major volatility in raw material prices and forex rates. As SKH Marelli derives its revenues from only exhaust systems, it faces a potential threat from the development of alternative vehicle architecture like EVs, which do not use exhaust systems. However, the share from EVs is expected to remain low in the PV segment in the medium term. With MSIL's expansion plans towards developing additional capacities through internal combustion engines (ICE), the requirement for exhaust systems is expected to remain intact.

### Liquidity position: Adequate

The company's liquidity is expected to remain **adequate**, with buffer of about Rs. 87 crore in the working capital limits as of July 2025. The company maintains minimal free cash of Rs.1-2 crore at any point of time. Additionally, the company also has

funds of Rs. 25-30 crore in an escrow account from MSIL at certain points of time. MSIL generally clears invoices on Fridays and the payments to vendors are made on Mondays. The company has marginal capex plans and debt obligations (~Rs. 4.2 crore in FY2026), which are likely to be comfortably met through the expected cash accruals.

## Rating sensitivities

**Positive factors** – The ratings can be upgraded if there is a sustained expansion in scale of operations and profitability, leading to an improvement in capital structure and coverage indicators.

**Negative factors** – The ratings could face pressure if there is a material decline in profitability, resulting in a moderation in coverage indicators. Any material debt-funded capex, materially impacting the capital structure, would also exert pressure on the ratings. Specific credit metric that could result in downgrade includes an interest cover of less than 3.6 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Auto Components</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

SKH Marelli Exhaust Systems Private Limited, incorporated in 2008, is a 50:50 joint venture between Marelli SPA, Italy and SKH Metals Limited. SKH Metals is a part of the Krishna Group, headed by Mr. Ashok Kapur, and his son, Mr. Sunandan Kapur. The Group is one of the leading suppliers to OEMs for seat sets, door trims, mirror, roof liners, fuel tanks, exhaust systems and suspensions. The company manufactures exhaust systems, which primarily comprise two parts, hot-end (also known as catalytic converter), which had an installed capacity of 1.2 million units and cold-end (consists of silencer/muffler and tail pipe) with an installed capacity of 0.7 million units. The company derives the major portion of its revenue from sales to Maruti Suzuki India Limited.

## Key financial indicators

SKH Marelli, Standalone	FY2024	FY2025*
Operating income	1,354.2	1,268.0
PAT	19.6	14.6
OPBDIT/OI	2.9%	2.5%
PAT/OI	1.5%	1.1%
Total outside liabilities/Tangible net worth (times)	5.1	3.6
Total debt/OPBDIT (times)	1.6	1.6
Interest coverage (times)	7.6	6.4

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; Based on Provisional financial statements for FY2025\*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Amount Rated (Rs. Crore)	Current ratings (FY2026)		Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	6.27	Oct 17, 2025	[ICRA]BBB+ (Stable)	Aug 12, 2024	[ICRA]BBB (Stable)	-	-	-	-
Working capital term loan	Short-term	105.00	Oct 17, 2025	[ICRA]A2	Aug 12, 2024	[ICRA]A3+				
Non fund based limits	Short-term	6.09	Oct 17, 2025	[ICRA]A2	Aug 12, 2024	[ICRA]A3+	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Short-term – Fund based / Working capital facilities	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	Term Loan	FY2023	NA	FY2027	6.27	[ICRA]BBB+(Stable)/[ICRA]A2
NA	Working capital facilities	NA	NA	NA	105.00	[ICRA]A2
NA	Bank guarantee	NA	NA	NA	6.09	[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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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.

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