



Press Release
SKH MANAGEMENT SERVICES LIMITED
March 06, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	18.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of ‘**ACUITE BB+**’ (read as **ACUITE double B plus**) on the Rs. 18.00 crore bank facilities of SKH Management Services Limited (SMSL). The outlook is ‘**Stable**’.

Rationale for Rating

The reaffirmation in rating underpins stable revenues of the group to the tune of Rs.77.62 crore in FY2024 albeit reduction in EBITDA and PAT margins. Additionally, the group has strong tangible net worth of Rs.181.97 Cr. as of March 31, 2024, reflecting healthy accretion to reserves and a modest gearing ratio of 0.03 times, indicating low leverage and a strong equity base. The group maintains healthy debt protection metrics, with an interest coverage ratio (ICR) of 38.48 times and a debt service coverage ratio (DSCR) of 5.7 times for FY2024. However, the additional debt of Rs.150 crore raised by SMSSIL (part of the SKH Service Group) has moderately impacted the debt protection metrics of the group in FY2025. Timely servicing of debt obligations will remain a key monitorable along with impediments to the business of the group owing to cyclical nature of the automotive industry.

About the Company

SKH Management Services Limited (SMSL) an unlisted public limited company is located in New Delhi, was incorporated on November 24, 2008. SMSL is mainly engaged in providing Business and consultancy services from more than a decade to its group companies namely for ‘SKH group’. The company is promoted by directors Mr. Sunandan Kapur, Mrs. Shruti Kapur Malhotra and Mrs. Supriya Kapur.

About the Group

SKH Management Services Limited (SMSL) and SKH Management Strategy Services India LLP (SMSSIL) together referred to as ‘SKH Service Group’ Krishna Maruti Group (KMG), operates in the Indian automotive component industry and has been in operations since 1994. It was founded by Mr. Ashok Kapur. KMG manufactures and supplies various automotive components to Indian and global OEMs. SKHG consists of the metal forming companies in the larger KMG. SML - the flagship company, is a joint venture between Maruti Suzuki India Limited (MSIL) and SKHG. It supplies a variety of sheet metal components to MSIL for all models. SSMC primarily acts as a holding company for the SKHG and also has a sheet metal component manufacturing business. Its products include BIW, seat structures, fuel tanks mufflers and other components. It primarily supplies to MSIL and also to other OEMs such as Volkswagen, Renault and Nissan amongst others. KQ Seats Pvt. Ltd. is a

fully owned subsidiary of SKH and is one of the leading designers and manufacturers of Cinema, Auditorium and Public seating systems in the country SKH Marelli Exhaust Systems Pvt. Ltd is a joint venture between SKH Metals Ltd. & Marelli S.P.A of Italy with an equity stake of 50:50, formed in 2008 for the development and manufacturing of Exhaust Systems primarily for MSIL (Maruti Suzuki India Limited). Marelli SKH Exhaust Systems Pvt. Ltd. is a joint venture between Marelli S.P.A. of Italy and SKH SMC with an equity stake of 50:50 for the development and manufacturing of Exhaust Systems, with facilities in Pune and Chennai region, primarily to serve its customers Maruti Suzuki, Suzuki Motor Gujarat, FCA, Tata Motors, MG Motors, Piaggio, Renault Nissan, GM, Daimler, Ashok Leyland, Eicher Polaris. SKH Metals is a Joint Venture between SKH and Maruti Suzuki

India Ltd. (MSIL). SKH Metals currently has three dedicated facilities for Maruti Suzuki India Limited, one facility each in the MSIL Supplier Parks in Gurugram and Manesar and one newly inaugurated facility in IMTManesar. SKH Y-TEC India Pvt. Ltd. (SYIPL) is a joint venture between SKH and Y-TEC Corporation of Japan with an equity stake share in 51:49 ratio. Y-TEC Corporation has immense experience in hi-tensile sheet metal components' design, development and manufacturing. SIAC SKH India Cabs Manufacturing Pvt. Ltd. (SIAC SKH) is a 50-50 Joint Venture between SKH and SIAC SPA of Italy. The company currently manufactures fully trimmed cabins for JCB and Caterpillar from its units in Prithla (NCR) and Chakan (Pune). KGAPL is a joint venture between Krishna Maruti Limited & Grupo Antolin, Spain. The Roof Headliner Division of SKH Group, founded in 2004 with equity partnership of Krishna Maruti Limited and Antolin, Spain. The manufacturing plants are in Manesar and Gujarat for Headliners for passenger, commercial and off-road vehicles with installed capacity of 1.8 Mn per annum

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of SKH Management Services Limited (SMSL) and SKH Management Strategy Services India LLP (SMSSIL) together referred as 'SKH Service Group'. The consolidation is in view of the common management and common line of business in both the entities.

Key Rating Drivers

Strengths

Experienced management and business from group entities

SMSL and SMSSIL provides business and consultancy services to its group companies -SKH group which is into automotive components business. The services include five verticals Marketing, Finance, Industrial Relationships, Human Resources and Purchases. Also, there are significant investments and financial synergies with SKH Group companies. The promoters Mr. Sunandan Kapur, Mrs. ShrutiKapur Malhotra and Mrs. Supriya Kapur possess over a decade experience in this field. The group is also supported by second line of management. The 'SKH Service group' is dependent on SKH group for revenues. The SKH group has established presence in automotive component industry since 1986. The group is promoted by Krishna Maruti Group (KMG), who operates in the Indian automotive component industry and has been in operations since 1994. Acuite believes that the group will continue to benefit from its experienced management and its strong operational linkages with SKH group.

Stable revenue with decline in profitability

SKH Service Group reported operating income of Rs. 77.62 Cr. in FY 2024 as against Rs. 78.92 Cr. in FY2023. The revenues have been stable due to higher services contract executed for group companies in FY2024. EBITDA margin dipped to 71.80% in FY24 in comparison to 82.18% in FY23 on account of higher employee cost and administrative expenses. Further, Net Profit margin stood at 50.31% in FY2024 as against 59.92% in FY 2023. Acuite believe stat the business risk profile is dependent on the consultancy requirement of its other group entities and which will remain a key rating sensitivity factor.

Healthy Financial Risk Profile

The tangible net worth of the group stood at Rs.181.97 Cr. as on March 31, 2024 as compared to Rs.147.9 Cr. as on March 31, 2023 due to accretion to reserves. Addition to equity share capital is due to addition in partners capital account for SKH Management Strategy Services IndiaLLP. The gearing of the group stood modest at 0.03 times as on 31 March 31, 2024. The ECB loan outstanding has been closed as on November 2024. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.10 times as on March 31, 2024 as compared to 0.18 times as on March 31, 2023. The debt protection metrics of the group remain comfortable marked by Interest coverage ratio (ICR) of 38.48 times and debt service coverage ratio (DSCR) of 5.7 times for FY2024. The net cash accruals to total debt (NCA/TD) stood healthy at 7.50 times in FY2024. SMSSIL has raised Rs.150 crore of long-term debt in June FY2025 for the acquisition of a division of MagnaAutomotive India Private Limited consisting of 3 plants, and form a new entity SKH M. Magna Automotive Pvt Ltd. Although, the addition of new debt has impacted the groups leverage ratios, they still remain at healthy levels and cash accruals are

sufficient to meet debt repayment obligations.

Weaknesses

Dependence on SKH group and higher exposure to group companies

SKH Service group derives ~ 95 percent of revenues through services provided to SKH group companies. All the group companies are operating in automotive industry which is highly cyclical in nature with growth linked to overall growth in the economy and consumption. The group's revenues remain exposed to performance and requirement of SKH group. Further, the group has exposure to other group companies in form of loans and advances, investments which was Rs.31.54 Cr. as on 31st March,2024. Acuite believes that the business strategy and consultancy requirements of SKH group would be a determinant of the scale of operations if the SKH Service group and any shifts and changes in their requirements would affect the business risk profile of the service group.

Working capital operations

The working capital management of the group is moderate marked by Gross Current Assets (GCA) of 431 days for FY2024 as compared to 419 days for FY2023. High GCA is due to loans and advances given to subsidiaries (Rs.31.54 Cr. in FY2024 and Rs.32.25 Cr. in FY2023). The debtor days stood at 223 in FY2024 against 205 in FY2023. Payments due are from customers who take management services from the group. Acuite believes that the working capital intensive operations of the group would continue over the medium term

Rating Sensitivities

- Higher-than-expected growth in revenues and profitability
- Any deterioration in financial risk profile
- Working capital cycle
- Change in arrangement of service contracts of group with SKH group

Liquidity Position

Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs. 40.08 Cr. as on March 31, 2024 as against Rs. 5.73 Cr. long term debt obligations over the same period. The current ratio of the group stood comfortable at 4.75 times in FY2024. The cash and bank balance stood at Rs.1.79 Cr. for FY2024. Further, the working capital management of the group is intensive marked by Gross Current Assets (GCA) of 431 days for FY2024 as compared to 419 days for FY2023. Apart, currently the company does not have any fund based or nonfund facility extended from any bank in SKH Management Services Ltd. Earlier they had ECB loan from ICICI bank against which Rs. 5.34 Cr. bal. was there as on 31-03-24 and subsequently that has been paid off in two instalments. SMSSIL has taken term loan of Rs.150 crore for acquisition of stake in MagmaAutomotive India Private Limited. However, the same has not impacted the liquidity risk profile significantly. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	77.62	78.92
PAT	Rs. Cr.	39.05	47.29
PAT Margin	(%)	50.31	59.92
Total Debt/Tangible Net Worth	Times	0.03	0.09
PBDIT/Interest	Times	38.48	28.60

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Apr 2024	External Commercial Borrowing	Long Term	18.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
05 Jan 2023	External Commercial Borrowing	Long Term	18.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
27 Oct 2022	External Commercial Borrowing	Long Term	18.00	ACUITE BB Stable (Downgraded from ACUITE BBB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BB+ Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	SKH Management Services Limited
2	SKH Management Strategy Services India LLP

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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