

## Press Release

### SKH Management Strategy Services India LLP

August 02, 2021



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 10.00 crore
<b>Long Term Rating</b>	ACUITE BBB-/Outlook: Stable (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned a long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 10.00 crore bank facilities of SKH Management Strategy Services India LLP (SMLP). The outlook is '**Stable**'.

#### About company

SKH Management Strategy Services India LLP (SMLP), a limited liability partnership firm, headquartered in Delhi was incorporated in 2014. SMLP is mainly in providing business and consultancy services from more than a decade to its group companies namely for 'SKH group'. The partnership firm is promoted by directors Mr. Sunandan Kapur, and Mrs. Supriya Kapur.

#### About the Group

SKH Metals Limited (SML), SKH Sheet Metals Components Private Limited (SSMC), SKH Y-Tec India Private Limited (SYPL), SIAC SKH India Cab Manufacturing Private Limited (SSICMPL), SKH Magneti Marelli Exhaust Systems Private Limited (SKHMM), Magneti Marelli SKH Exhaust Systems Private Limited (MMSKH) and Jai Hanuman Enterprises (JHE) together referred to as the 'SKH Group' (SKHG).

SKH Management Services Limited (SMSL) and SKH Management Strategy Services India LLP (SMLP) together referred 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.

SYPL is a JV between SSMC and Y-Tec, Japan. The company is engaged in manufacturing of high tensile sheet metal components for Suzuki Motors Gujarat Private Limited (SMG) with a manufacturing facility in SMG's plant in Gujarat. SSICMPL is a JV between SSMC and SIAC (Italy). The company is engaged in manufacturing of driver cabins for heavy machinery manufacturers like JCB and Caterpillar. ~85 percent revenue is derived from JCB. SKHMM is a JV between SML and Magneti Marelli (Italy). The company is engaged in manufacturing of exhaust systems for MSIL. Its ~85 percent revenue comes from MSIL.

MMSKH is a JV between SSMC and Magneti Marelli (Italy). The company is engaged in manufacturing of exhaust systems for automobile manufacturers like Piaggio, Renault, Nissan, Daimler, Eicher, Polaris and Tata Motors. JHE is a small trading firm.

#### Analytical Approach

Acuité has consolidated the business and financial risk profiles of SKH Management Services Limited (SMSL) and SKH Management Strategy Services India LLP (SMLP) together referred as 'SKH Service Group'. The consolidation is in view of the common management, strong operational and financial linkages between the entities. Extent of Consolidation: Full.

## Key Rating Drivers

### Strengths

- **Strong Parentage and experienced management**

SKH Management Services Limited (SMSL) and SKH Management Strategy Services India LLP (SMLP) provides business and consultancy services to its group companies of SKH group. 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. Shruti Kapur 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 wholly owned by SKH group and dependent on them for revenues. The SKH group has established presence in automotive component industry since 1986. The group is promoted by Krishna Maruti Group (KMG), operates in the Indian automotive component industry and has been in operations since 1994. Acuité believes that the entity will continue to benefit from its experienced management and its strong operational and financial linkages with SKH group.

- **Moderate financial risk profile**

The financial risk profile of group stood moderate marked by moderate net worth, comfortable gearing and coverage indicators. The net worth of the group stood at Rs. 90.23 crore as on March 31, 2021 (Provisional) as against Rs. 67.15 crore as on March 31, 2020. The gearing stood at 0.36 times as on March 31, 2021 (Provisional) as against 0.56 times as on March 31, 2020. TOL/TNW stood at 0.47 times as on March 31, 2021 (Provisional) as against 0.71 times as on March 31, 2020. Total debt of Rs. 32.55 crores as on March 31, 2021 (Provisional) consist of term loans of Rs.19.34 crores, and other short term loans & advances of Rs. 13.21 crores. The interest coverage ratio stood at 12.64 times as on March 31, 2021 (Provisional) as against 17.03 times as on March 31, 2020. DSCR stood at 1.24 times as on March 31, 2021 (Provisional) as against 2.02 times in previous year. Debt/EBITDA stood low at 0.96 times as on March 31, 2021 (Provisional) as against 1.45 times as on March 31, 2020. Acuité believes that the financial risk profile will continue to remain moderate over near to medium term despite on account of moderate net cash accruals, and no major addition to services provided to group companies.

### Weaknesses

- **Working capital intensive nature of operations**

The group's working capital operations are intensive in nature marked by Gross Current Assets (GCA) days of 602 days for FY2021 (Provisional) as against 537 days in FY2020. This is majorly on account of higher receivable days. The receivables days stood high at 283 days for FY2021 (Provisional) as against 259 days in FY2020 on account of annual payment terms with group companies. The group does not avail any working capital limits, however, ECB loan availed is being serviced in a timely manner. The working capital cycle is likely to be intensive as receivables cycle are expected to remain high due to different payment terms which includes monthly, quarterly, half yearly and annually. Acuité believes the operations to remain working capital intensive due to predetermined and different payment terms.

- **Dependence on SKH group and higher exposure to group companies**

SKH Service group derives more than 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 to 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. The group has availed External Commercial Borrowing (ECB) loan of USD 2.60 Mn for a restaurant venture in Japan for ASMA Ventures Co. Ltd. (Wholly own Subsidiary). However, the venture has been impacted by the pandemic and has not given any returns for the group. However, ECB loan is covered by 1.00x cover in form of Mutual Funds, to be maintained during the tenure of loan.

### Rating Sensitivities

- Higher-than-expected growth in revenues and profitability
- Change in support and ownership of SKH group
- Any deterioration in financial risk profile and liquidity profile

### Liquidity Position: Adequate

The liquidity profile of the group stood adequate marked by net cash accruals of Rs. 16.00 to Rs.23.50 crores as against repayment obligation of Rs.0.10-4.85 crores during last three years ending FY2021 (Provisional). The accruals are expected to be within Rs. 18.00 to Rs.24.00 crores, as against repayment obligation of Rs.4.85 to Rs.5.00 crores for upcoming three years through FY22-2024. The NCA/TD stood at 0.72 times for FY2021 (Provisional) as against 0.43 times in FY2020. The current ratio stood at 2.03 times in FY2021 (Provisional) as against 1.76 times in FY2020. There is no working capital limits and servicing of debt has remained timely. The DSCR stood at 1.24 times as on March 31, 2021 (Provisional) as against 2.02 times in previous year. The unencumbered cash and bank balance maintained by the group is Rs.3.38 crores as on March 31, 2021. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term.

### Material Covenants

Group to maintain 1.00x Mutual Fund cover as collateral for ECB loan availed during the tenure of loan.

### Outlook: Stable

Acuité believes the group will maintain 'Stable' business risk profile in the medium term on the back of strong parentage and experienced management. The outlook may be revised to 'Positive' in case of significant improvement in operating risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its operating risk profile due to lower than expected growth in revenues or decline in profitability.

### About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	38.78	35.26
PAT	Rs. Cr.	23.08	15.69
PAT Margin	(%)	59.52	44.48
Total Debt/Tangible Net Worth	Times	0.36	0.56
PBDIT/Interest	Times	12.64	17.03

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-47.htm>
- 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>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Acuité has not rated the entity in the past

**\*Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Assigned)

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**About Acuité Ratings & Research:**

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