



Press Release
KSH AUTOMOTIVE PRIVATE LIMITED
September 10, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has upgraded its long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 50.00 Cr. bank facilities of KSH Automotive Private Limited (KSHAPL). The outlook is '**Stable**'.

Rationale for rating

The rating upgrade reflects the improvement in profitability and scalability of the Company's operation considering the healthy order book, moderate financial risk profile, efficient working capital operations and technical support from parent company. The EBITDA Margins of the company stood at 10.82% in FY24 (prov.) against 6.41% in FY23 and the PAT Margins of the company stood at 4.08% in FY24 (prov.) against 0.79% in FY23. The rating further takes support from strong parentage of the company to support operations of KSHAPL. Also, the capital structure of the Company is comfortable, however, the debt protection metrics have been subdued. Furthermore, the working capital cycle of the company is efficient as reflected from GCA of 71 days as on March 31, 2024. The rating is constrained by exposure of the Company to forex fluctuation risk and customer concentration risk.

About the Company

KSH Automotive Private Limited (KSHAPL), incorporated in 2017, is a wholly owned subsidiary of South Korea-based Saehan Ind. Co., Ltd. The company is engaged in the manufacturing, designing, engineering, developing, fabricating, assembling and sale of car automotive sheet metal body components, mainly for KIA motors in India. The Company commenced its commercial production since July 2019. The manufacturing plant is located at Penukonda in Andhra Pradesh. The present directors of the company are Mr. Yeonsoo Kim and Mr. Yongsung Kim.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of KSHAPL to arrive at the rating.

Key Rating Drivers

Strengths

Strong parentage; experienced management team

KSHAPL is a 100 per cent subsidiary of South Korea-based, Saehan Industrial Co. Ltd. SICL has a track record of over five decades in the Korean market. Acuite derives comfort from the long experience of the directors, as KSHAPL's operations are guided by a strong management team of Mr. Yeonsoo Kim, Mr and Mr. Yongsung Kim with extensive experience in the OEM

industry, which has facilitated relationships with KIA India in the domestic market and ensure repeat orders. The company benefits from the technological support and the management's experience from its parent company. Further, its cash conversion cycle is supported by the extended credit period by the parent company. Acuité expects that KSHAPL would continue to remain a key delivery centre for KIA motors and benefit from access to Saehan Industrial Co. Ltd's technical expertise and capabilities.

Slight decline in Revenue albeit improved Profitability

The company has reported revenue of Rs. 853.53 Crore in FY24 (prov.) against Rs. 964.40 Crore in FY23. This dip in top line of the company is because the sales of the company is totally depend upon the sales of KIA India and there is a dip in sales of KIA India which stood at 2,45,634 units in FY24 against 2,69,229 units in FY23, as per public domain. However, the EBITDA Margins of the company stood at 10.82% in FY24 (prov.) against 6.41% in FY23 and the PAT Margins of the company stood at 4.08% in FY24 (prov.) against 0.79% in FY23. The improvement has been due to better pricing that the Company could command and lesser competition in a few products dealt-in by the company. The company does not undertake any hedging activities against their foreign exposure. The company has the order book of Rs. 969.42 Cr. which is expected to be executed by June 2025. The company has achieved the revenue of ~Rs. 264.24 Crore from April 2024 to July 2024. Acuite believes that a healthy order book along with execution capabilities of the same would be contributing to the revenues of the Company over the medium term.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by net-worth of Rs. 292.36 Crore as on 31st March 2024 (Prov.) against Rs. 257.51 Crore as on 31st March 2023 due to steady accretion to reserves. Further, the total debt of the company stood at Rs. 292.84 Crore as on 31st March 2024 (Prov.). The capital structure of the company marked by gearing ratio of the company which stood at 1.00 times as on 31st March 2024 (Prov.) against 1.04 times as on 31st March 2023. The company has debt fund capex plans over the near to medium term but the gearing is expected to remain at similar levels due to expectation of sufficient accruals generated from business. Further, the coverage indicators of the company improved reflected by interest coverage ratio and debt service coverage ratio of the company which stood at 5.00 times and 1.33 times respectively as on 31st March 2024 (Prov.) against 4.24 times and 0.90 times respectively as on 31st March 2023. The TOL/TNW ratio of the company stood at 1.65 times as on 31st March 2024 (Prov.) against 1.96 times as on 31st March 2023 and DEBT-EBITDA of the company stood at 3.17 times as on 31st March 2024 (Prov.) against 4.31 times as on 31st March 2023. Acuité believes that going forward the financial risk profile of the company will remain moderate.

Efficient Working capital operations

The working capital operations of the company is marked efficient by Gross Current Asset (GCA) days of 71 days in FY24 (prov.) against 59 days in FY23. There is an increase in the GCA days due to the inventory days of the company which stood at 18 days in FY24 (prov.) against 15 days in FY23, debtors days of the company stood at 39 days in FY24 (prov.) against 37 days in FY23. On the other hand, the creditors days improved which stood at 102 days in FY24 (prov.) against 108 days in FY23. Acuité believes that the working capital cycle of the Company would remain at similar lean levels over the medium term due to efficient collection mechanism and low inventory holdings.

Weaknesses

Foreign currency denominated loans inadequately hedged rendering profitability vulnerable to adverse forex movements

The company is exposed to currency risk, as a major part of the term debt is denominated in foreign currency. Also, KSHAPL imports about ~10 per cent of its raw materials from South Korea, without hedging its foreign currency and hence, the profitability remains vulnerable to any adverse movements in foreign currency rates.

Customer Concentration Risk

The company derives almost ~73.5% of revenues from KIA India. Any change in buying pattern of KIA Motors might directly impact the revenue and profitability profile of the Company. However, the Company is trying to diversify its customer profile slightly but KIA continues to remain a bigger client for the Company. Acuite believes that the customer concentration risk will continue to loom over the business risk profile of the Company over the medium term.

Rating Sensitivities

- Ability to maintain scale of operations while sustaining profitability margins
- Elongation in working capital cycle
- Timely infusion of financial support from parent company

Liquidity Position Adequate

The liquidity profile of the company is adequate. The net cash accruals of company stood at Rs. 73.94 Cr. in FY 24 (prov.) against the debt repayment of Rs. 50.97 Cr. for the same period. The company has cash & bank position of Rs. 30.07 Cr. in FY 24 (prov.). The average fund based bank limit utilization is at 89.39% for the 6 months' period ending July 2024. The current ratio has been weak at 0.49 times for March 31, 2024. Company has debt fund based capex plans over near to medium term. However, the parent company has the financial flexibility to infuse funds in the business as and when required, thus supporting the liquidity of the Company. Acuite believes that the liquidity of the Company would continue to remain adequate due to healthy accruals, financial support from parent company from time-to-time, efficient working capital management albeit weak current ratio and debt funded capex plans over the medium term.

Outlook: Stable

Acuite believes that the outlook on KSHAPL will be 'Stable' over the medium term on account of benefits derived from parent company and experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins and improvement in debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	853.53	964.40
PAT	Rs. Cr.	34.85	7.63
PAT Margin	(%)	4.08	0.79
Total Debt/Tangible Net Worth	Times	1.00	1.04
PBDIT/Interest	Times	5.00	4.24

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
13 Jun 2023	Secured Overdraft	Long Term	50.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

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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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