YUKEN INDIA LIMITED
An ISO 9001:2015 Company
Manufacturers of Oil Hydraulic Equipment
IN COLLABORATION WITH YUKEN KOGYO CO. LTD., JAPAN.
CIN: L29150KA1976PLC003017

Regd. Office:	No. 16-C, Doddanekundi Industrial Area II Phase, Mahadevapura, Bengaluru – 560 048.	Factory:	PB No. 5, Koppathimmanahalli Village, Malur-Hosur Main Road, Malur Taluk, Kolar District – 563 130.
Phone	+91- 9731610341	Phone :	+91 9845191995
Our Ref No:	YIL/Sec/2024	E-mail:	hmn_rao@yukenindia.com
Date:	05/10/2024	Web:	www.yukenindia.com

To,

The General Manager,
Listing Compliance & Legal Regulatory,
BSE Limited,
PJ Towers, Dalal Street,
Mumbai-400001.
BSE Scrip Code: 522108

The General Manager,
Listing Compliance & Legal Regulatory,
National Stock Exchange of India Limited
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai – 400051
NSE Scrip Code: YUKEN

Dear Sir/Madam,

Sub: Intimation of Credit Rating Report under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

With reference to the captioned subject, we wish to inform you that, CARE Ratings Limited has released credit rating report of our Company on 4th October 2024.

We hereby attached the press release by CARE Ratings.

Request you to kindly take the same on records.

Thanking you,

Yours faithfully,
For **Yuken India Limited**

RAJU SUCHITHRA
Digitally signed by RAJU SUCHITHRA
Date: 2024.10.05 12:19:00 +05'30'

Suchithra R
Company Secretary & Compliance Officer

Yuken India Limited

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	22.58 (Reduced from 29.22)	CARE BBB+; Stable	Upgraded from CARE BBB; Stable
Long-term / Short-term bank facilities	68.50	CARE BBB+; Stable / CARE A3+	LT rating upgraded from CARE BBB; Stable and ST rating reaffirmed
Short-term bank facilities	34.50	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings to long-term bank facilities and reaffirmation of ratings to short-term bank facilities of Yuken India Limited (YIL) factor in sustained improvement in operations post revival in demand from the end user segment leading to consistent improvement in turnover, satisfactory capital structure and debt coverage indicators, diversified industry wise sales and reputed clientele with established relationship.

Ratings also derive strength from experienced promoters with continued technical and financial support from Yuken Kogyo Company Limited, Japan (YKC). YKC had infused equity of ₹62.90 crore in July 2023 to fund capex plans to enhance capability to target export markets.

However, rating strengths are partially offset by moderate profitability margins and modest return indicators, profitability susceptible to volatile raw material prices, performance of end-user industries, and exposure to operational, stability, and profitability risk due to ongoing capex.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in sales >₹ 600 crore while maintaining a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin >14% on a sustained basis.

Negative factors

- Consistent subdued performance of the company, resulting in interest coverage of less than 2x and total debt (TD)/PBDIT of more than 4.5x.
- Any major term debt causing moderation in capital structure of more than 1.5x

Analytical approach: Consolidated

CARE Ratings has considered consolidated approach while arriving at the rating owing to financial and operational linkage, common management and similar line of business. Subsidiaries and associates operate in supporting functions (mainly suppliers) to YIL. Subsidiaries and associates of the company are listed under Annexure-6.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the company will sustain its improving operational performance and growing revenue, aided by revival in demand from the end-user industry and increase in operational capacity.

Detailed description of key rating drivers:

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key strengths

Sustained improvement in operations post revival in demand from the end-user segment leading to consistent improvement in turnover

YIL's FY20 and FY21 operational performance moderated because of muted demand for hydraulic components from the end-user industry. However, driven by a revival in demand, scale of operations reached pre-COVID levels. Total operating income (TOI) grew by ~12% in FY23 and ~13% in FY24 and is further expected to grow in upcoming years considering continuous improvement in end-user demand and export sales backed by ongoing capacity addition. YIL is in the process of automating the production process of pumps and valves to manufacture export quality products. In a strategic shift, YIL plans to establish itself as a key supplier to its parent company and is likely to contribute 15-20% of its sales in the medium term. The company has achieved TOI of ₹423.14 crore in FY24 compared to ₹373.03 crore in FY23. The company has made sales of ₹110.93 crore in Q1FY25.

Satisfactory capital structure and debt coverage indicators

Capital structure improved and stood satisfactory with comfortable overall gearing of 0.29x as on March 31, 2024. (PY: 0.62x). TOL/TNW improved and stood below unity considering lower utilisation of working capital and reduced debt level. Other debt coverage indicators such as Total Debt (TD)/PBILDT and Total Debt to gross cash accruals (TD/GCA) also stood comfortable at 1.72x and 2.26x in FY24 respectively compared to 3.50x and 4.49x in FY23. Capital structure is likely to remain satisfactory with slight moderation for projected years in view of increased working capital utilisation considering increasing scale of operations.

Experienced promoters with continued technical support from YKC

YIL has more than four decades of track record in its line of business with technical and financial collaboration with its parent, YKC. The company's day-to-day affairs are looked after by C.P. Rangachar (MD) assisted by a team of well-experienced professionals from different fields. YKC is one of the leading manufacturers of hydraulic equipment and system in the world and provides technical know-how and assistance to YIL in its hydraulic business. YKC has infused equity of ₹62.90 crore in FY24 to part fund its ongoing capex in YIL.

Diversified industry wise sales and reputed clientele with established relationship

YIL has been able to diversify its sales across industries. YIL's clientele comprises leading corporates, such as Tata Steel Limited, SAIL, HMT, BHEL, Tata-Hitachi, JCB, NTPC, Toyota, Honda, Toshiba, L&T, BEML & Machine tool such as BFW, Jyothi, Kennametal, LMW, Macpower, Steel Industry including Jindal, CMI, and JSW among others. Over the period, the company developed strong relationships with customers resulting in repeat orders, providing stability to revenues. YIL enjoys a strong network of ~58 dealers, which is a major contributor to sales and servicing capability, differentiating it from competition.

Key weaknesses

Volatile raw material prices

The company has no long-term contract with suppliers of raw materials and solely depend on established relationships. Prices of YIL's major raw material steel and castings have witnessed high level of price volatility in the past. Almost major portion of YIL's orders are fixed price contracts and hence, the company is subject to risk associated with adverse movement in raw material prices.

Moderate profitability margins and return indicators although witnessed improvement

The company's PBILDT margins remained unstable for past few years. However, normalised and improved to 10.75% in FY24 against 9.12% in FY23 & 10.44% in FY22 respectively. Improvement in the margin is considering fresh orders with revision in contract prices. In the last two quarters of FY23, the company had to execute pre-COVID orders, which resulted in moderate margins as it could not pass on the increased price to its customer completely. However, FY24 onwards the company does not hold pre-COVID orders currently and margins are expected to further improve for projected years. Expected improvement in export sales as a result of its recent expansion and ongoing expansion to add improvement in PBILDT margins going forward. Sustenance of PBILDT margins going forward remains a key monitorable. The company's ROCE is also modest, as its yet to achieve optimum level of operations though is gradually improving. The company's ROCE remains low at 10.08% in FY24 (PY:8.16%)

Ongoing capex for capacity enhancement exposing to operational, stability, and profitability risk

Post recovery from industry slowdown and COVID-19 implications, YIL has been investing in capex for expansion, modernisation, and automation to setup of in-house facility for currently subcontracted activities. Capex incurred will help the firm to manufacture products suitable for export. Currently, Yuken has total group level capex plan of ₹162.55 crore, for which, it has received equity infusion of ₹62.90 crore from its parent YKC in FY24. Rest would be funded by the company's cash accruals, and it does not intent to avail term debt. The ongoing capex planned for domestic market, export market and related capex in its subsidiary's companies. The capex amount in subsidiary companies will be incurred by subsidiaries itself. However, ₹8-10 crore would be funded by Yuken for purchase of equipment. The ongoing capex is in nascent stage with ~28-30% incurred as on June 30, 2024. Hence, timely completion of the ongoing capex, while mitigating operational, stability and profitability risk would be key rating monitorable.

Liquidity: Adequate

The company's liquidity mainly derives comfort from its parentage, which has arranged banking lines for Yuken India Limited from Japan based banks by extending Corporate Guarantee to secure facilities. The company has flexibility of drawing additional facilities above drawing power from these banks to tide over short-term cash flow mismatch. The firm is expected to generate sufficient GCA of ~₹46 crore against repayment (Consol) of around ₹7.57 crore for FY25. Average fund utilisation for 12-months ended June 2024 was 53.39%. The unencumbered cash and bank balances stood at ₹10.24 crore as on March 31, 2024, on consolidated basis. The operating cycle has remained satisfactory and improved to 119 days in FY24 compared to 172 days in FY23.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Compressors, Pumps & Diesel Engines

YIL was established in June 1976 with the technical and financial collaboration of YKC. YIL manufactures a wide range of hydraulic equipment, such as vane pumps, piston pumps, pressure controls, flow controls, directional valves, modular valves, electro proportional valves, gear pumps, accumulators, cylinders, and hydraulic power units, which find applications in industries such as steel, machine tools, power, automobiles, and infrastructure, among others. YIL's entire product range is broadly classified as: elements (hydraulic pumps and valves), systems (assembled products), and castings (foundry division). YIL is an ISO9001:2015 company and has four manufacturing facilities for its hydraulic division, at Bahadurgarh, Haryana; Peenya, Bengaluru; Mumbai, Maharashtra; and Malur, Karnataka; one for its foundry division at Malur, one unit of tool and hydraulic spares at Mahadevapura, Bengaluru and one facility for gear pumps at Malur.

YIL is automating the production process of pumps and valves to manufacture export quality products. In a strategic shift, YIL plans to establish itself as a key supplier to its parent company in five years and likely to contribute 15-20% of its sales in the medium term. Therefore, the company has ongoing capex for enhancing its existing capacity.

Brief Financials (₹ crore)- Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	373.03	423.14	110.93
PBILDT	34.01	45.47	13.89
PAT	9.65	18.79	2.34
Overall gearing (times)	0.62	0.29	0.30
Interest coverage (times)	3.47	5.38	7.43

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	13.50	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	February 2026	9.08	CARE BBB+; Stable
Fund-based - ST-Working Capital Demand loan		-	-	-	30.00	CARE A3+
Fund-based/Non-fund-based-LT/ST		-	-	-	68.50	CARE BBB+; Stable / CARE A3+
Non-fund-based - ST-BG/LC		-	-	-	4.50	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	13.50	CARE BBB+; Stable	-	1)CARE BBB; Stable (04-Sep-23)	1)CARE BBB; Stable (28-Sep-22)	1)CARE BBB-; Positive (06-Oct-21)
2	Non-fund-based - ST-BG/LC	ST	4.50	CARE A3+	-	1)CARE A3+ (04-Sep-23)	1)CARE A3+ (28-Sep-22)	1)CARE A3 (06-Oct-21)
3	Fund-based - LT-Term Loan	LT	9.08	CARE BBB+; Stable	-	1)CARE BBB; Stable (04-Sep-23)	1)CARE BBB; Stable (28-Sep-22)	1)CARE BBB-; Positive (06-Oct-21)

4	Fund-based - ST-Working Capital Demand loan	ST	30.00	CARE A3+	-	1)CARE A3+ (04-Sep-23)	1)CARE A3+ (28-Sep-22)	1)CARE A3 (06-Oct-21)
5	Fund-based/Non-fund-based-LT/ST	LT/ST	68.50	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (04-Sep-23)	1)CARE BBB; Stable / CARE A3+ (28-Sep-22)	1)CARE BBB-; Positive / CARE A3 (06-Oct-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Working Capital Demand loan	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Coretec Engineering India Private Limited	Full	100.00% Subsidiary with strong linkages
2	Grotek Enterprises Private Limited	Full	100.00% Subsidiary with strong linkages
3	Kolben Hydraulics Limited	Full	95.30% Subsidiary with strong linkages
4	Sai India Limited	Proportionate	40.00% Associate with strong linkages
5	AEPL Grotek Renewable Energy Private Limited	Proportionate	51.00% Associate with strong linkages
6	Bourton Consulting (India) Private Limited	Proportionate	19.78% Associate with strong linkages

As on June 30, 2024

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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