

Kusalava International Limited

February 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	65.14 (Reduced from 72.66)	CARE BBB+; Stable	Reaffirmed
Short-term bank facilities	9.40	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Kusalava International Limited (KIL) continues to derive comfort from its strong market position, supported by a reputable clientele, improvement in scale of operations, and healthy profitability. Ratings continue to derive strength from satisfactory financial risk profile with a stable capital structure and strong coverage indicators. However, rating strengths continue to remain constrained considering elongated operating cycle, fluctuating raw material prices, foreign exchange risks, and competitive nature of the industry. The company's exposure to Quantum Energy Limited, through investments and a corporate guarantee for its debt, is also considered in ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to sustain revenue growth, while maintaining profitability margins and existing levels.
- Operating cycle shortening to less than 100 days, on a sustained basis.

Negative factors

- Significantly declining total operating income (TOI) or profit before interest, lease rentals, depreciation and tax (PBILDT) margin by over 30% y-o-y.
- Deterioration in overall gearing above 0.5x.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has analysed KIL's credit profile, considering the consolidated financial statements (comprising KIL and its subsidiaries) owing to the financial and operational linkages between the parent and subsidiaries. (Companies consolidated are listed under in Annexure 6)

Outlook: Stable

CARE Ratings believe that the entity will continue to benefit from vast experience of the promoters, and established market position in the industry.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with proven execution capabilities

KIL is part of the Kusalava group, founded by Chukkapali Kusalava, who served as chairman until FY18. With over 50 years of experience, he has built strong relationships across industries. Ramakrishna Prasad, 62, succeeded Chukkapali Kusalava and is the current promoter and Managing Director, holding 41.17% of the shares. He has over 35 years of experience in manufacturing

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

cylinder liners and trading automotive parts and holds a bachelor's degree in mechanical engineering. Promoters are resourceful and have provided funds as needed for operations. As of March 31, 2024, the company has an unsecured loan of ₹35.64 crore at the consolidated level.

Association with reputed clients

The company has a strong and reputable customer base, including prominent names including Ashok Leyland Limited, Mahindra and Mahindra, Kirloskar Oil Engines Limited, and Rolls Royce Solutions. It caters to domestic and international markets, with major export destinations being the USA, Germany, Turkey, and Italy. Top five customers contribute to 42% of the TOI, indicating some customer concentration. However, the company is expanding its client base, leveraging its established market presence. The strategic location of the Uttaranchal unit, near OEMs such as Ashok Leyland, Mahindra, and TATA, facilitates easier service to these key clients.

Satisfactory operations with fluctuating profitability

The company's TOI remained steady at ₹423 crore in FY24 due to subdued demand in export markets. However, the expanding automotive sector and overall economic growth in the domestic market supported the turnover. On a consolidated level, the company saw an improvement in PBILDT margins, increasing from 13.01% in FY23 to 14.41% in FY24, owing to lower raw material costs and reduced export-related expenses, however, the profit after taxes (PAT) margin declined slightly from 9.39% in FY23 to 8.36% in FY24 owing to higher interest and depreciation costs from additional borrowings for plant machinery.

Healthy financial risk profile

The company's capital structure remains comfortable, with an adjusted overall gearing ratio of 0.77x as of March 31, 2024, up from 0.52x the previous year owing to higher working capital borrowings and term loans. The company provided a Corporate Guarantee (CG) for bank facilities amounting to ₹30 crore to its associate company, Quantum Energy Limited (QEL). The total adjusted debt stood at ₹118 crore as on March 31, 2024. Coverage indicators remained comfortable, with total debt to gross cash accruals (TD/GCA) and PBILDT interest coverage at 1.96x and 9x, respectively, in FY24.

Key weaknesses

Volatile raw material prices and foreign exchange risk

The company's primary raw material is pig iron, accounting for ~45-50% of the total cost, and it is sourced domestically. The company imports less than 1% of tools and spare parts from the USA. Pig iron constitutes a significant portion of the raw material, and its prices are subject to volatility, being cyclical and influenced by demand-supply dynamics and global market conditions. While the company can negotiate with some customers to pass on the increased material cost in significant price hikes, it faces challenges in immediately passing on raw material price increases. This is because contract reviews typically occur every six months or one year. In FY24, ~33% of the company's revenue came from export sales, with ~50% having forward coverage through hedging, and the remaining 50% lacking hedging. The company reported a foreign exchange gain of ₹1.08 crore in FY24 (compared to ₹1.65 crore in the previous year).

Elongated working capital cycle

The company's operating cycle has remained elongated at 110 days, same as in the previous year. This elongation is mainly attributed to funds being tied up in inventory and debtors. The company offers a credit period of ~60-90 days to its export customers. Payment to creditors is determined by market conditions and the type of raw materials acquired.

Liquidity: Adequate

The company maintains adequate liquidity, with gross cash accruals of ₹45 crore and debt repayment obligations of ₹3.44 crores. As of March 31, 2024, the company holds free cash and a bank balance of ~₹51.32 crore. The liquidity position is reinforced by a current ratio above unity at 2.52x and CC utilised limits of ~44%.

Assumptions/Covenants: Not applicable: Not applicable

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](#)

[Auto Components & Equipments](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Auto components	Auto components & equipment

KIL was initially incorporated as Bharat Industries in 1964 as a private limited company. In the early '90s, following a series of modifications, the company underwent a name change to its current nomenclature and was simultaneously reconstituted as a public limited company. The company is promoted by the Chukkapalli family from Vijayawada and stands as a leading manufacturer of critical engine parts, catering to major OEMs in India, the USA, and Europe. KSIL's product portfolio includes cylinder liners, aluminium block liners, pistons, piston rings, valve seats, guides, centrifugal castings, scraps, pallets, and more.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)#
Total operating income	406.90	395.37	303.45
PBILDT	41.06	43.34	22.28
PAT	23.96	22.48	15.55
Overall gearing (times)	0.43	0.59	0.59
Interest coverage (times)	9.77	6.86	3.90

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

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	38.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	Jan 2027	27.14	CARE BBB+; Stable
Fund-based - ST-Standby Line of Credit		-	-	-	5.50	CARE A3+
Non-fund-based - ST-Bank Guarantee		-	-	-	2.00	CARE A3+
Non-fund-based - ST-		-	-	-	1.40	CARE A3+

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Credit Exposure Limit						
Non-fund-based - ST-Letter of credit		-	-	-	0.50	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	38.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (20-Feb-24)	1)CARE BBB+; Stable (29-Mar-23) 2)CARE BBB+; Stable (05-Apr-22)	-
2	Fund-based - ST-Standby Line of Credit	ST	5.50	CARE A3+	-	1)CARE A3+ (20-Feb-24)	1)CARE A3+ (29-Mar-23) 2)CARE A3+ (05-Apr-22)	-
3	Non-fund-based - ST-Letter of credit	ST	0.50	CARE A3+	-	1)CARE A3+ (20-Feb-24)	1)CARE A3+ (29-Mar-23) 2)CARE A3+ (05-Apr-22)	-
4	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A3+	-	1)CARE A3+ (20-Feb-24)	1)CARE A3+ (29-Mar-23) 2)CARE A3+	-

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
							(05-Apr-22)	
5	Non-fund-based - ST-Credit Exposure Limit	ST	1.40	CARE A3+	-	1)CARE A3+ (20-Feb-24)	1)CARE A3+ (29-Mar-23) 2)CARE A3+ (05-Apr-22)	-
6	Fund-based - LT-Term Loan	LT	27.14	CARE BBB+; Stable	-	1)CARE BBB+; Stable (20-Feb-24)	1)CARE BBB+; Stable (29-Mar-23) 2)CARE BBB+; Stable (05-Apr-22)	-

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-Standby Line of Credit	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Credit Exposure Limit	Simple
6	Non-fund-based - ST-Letter of credit	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	Kusalava International INC	Full	Financial and operational linkages
2	Ameya Batteries Private Limited	Full	Financial and operational linkages

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.

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About us:

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