Yuken India Limited

August 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	22.58	CARE BBB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	68.50	CARE BBB+; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	36.50 (Enhanced from 34.50)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to bank facilities of Yuken India Limited (YIL) factor in improvement in scale of operations led by improved realisation of its system division with increased volumes of its valves and pump segments, and improvement in and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin in FY25, as a result of its consistent efforts to reduce rejection levels in its casting division.

Ratings continue to factor in 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 the parent, Yuken Kogyo Company Limited, Japan (YKC). YKC infused ₹62.90 crore equity in FY24 and further plans to infuse ₹60 crore in FY26 by issue of equity shares and this is expected to be completed in a month. CARE Ratings Limited (CareEdge Ratings) notes, at a group level, it has a capex of ₹174 crore which shall be funded through equity infusion, term loan of ₹30 crore and balance through internal accruals. Accordingly, despite debt funded capex the capital structure is expected to remain comfortable. However, completion of capex while mitigating operational, stability and profitability risk and the company's ability to accrue envisaged benefits in scale and profitability remains to be seen and shall remain a key rating monitorable. Ratings continue to remain constrained considering profitability susceptible to volatile raw material prices and performance of end-user industries.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in sales over ₹ 600 crore while maintaining a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin over 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)/PBILDT of over 4.5x.
- Major term debt causing moderation in capital structure of over 1.5x.

Analytical approach: Consolidated

CareEdge Ratings has considered consolidated approach while arriving at the rating owing to financial and operational linkage, common management and similar 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 CareEdge Ratings' expectation that the company will sustain its improving operational performance and growing revenue, aided by improvement in demand from domestic and export markets and the company's higher focus on new product development with increased share of exports.

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

Detailed description of key rating drivers:

Key strengths

Sustained improvement in scale of operations

The total operating income (TOI) improved by 8% on year-over-year (y-o-y) basis from ₹423 crore in FY24 to ₹458 crore in FY25, primarily on account of improvement in sales realisation of system units, and improvement in sales volume of valves and pump division. The TOI is expected to improve with anticipated increase in volumes led by expected pickup in demand from domestic and export markets. In a strategic shift, YIL plans to establish as a key supplier to its parent company and is likely to contribute 15-20% sales in the medium term. The company has sent pilot batch to its parent. Currently, testing works are going on and full-fledged exports are expected to commence starting H2FY26.

The company has also started manufacturing gear pump which finds its application in tractors and cranes. The company is in talks with different large customers to increase its revenue from this segment. The company presently makes a revenue of ₹35 to 40 lakhs per month through this segment and expects to increase the share to ₹60 lakhs in FY26. The company is focusing on new markets such as infrastructure and defence sector. The company achieved sales of ₹8-10 crore in FY25 through defence sector. Going forward, improvement in scale of operations shall be driven by construction, defence, machine tool segments and higher focus on new products.

Consistent improvement in profitability margins

The company's PBILDT margin improved consistently over the last two years with PBILDT margin improving from 9.12% in FY23 to 10.75% in FY24 and further to a level of 12.14% in FY25. The margins improved on account of reduction in raw material costs. The company is consistently making effort to reduce rejection levels in castings business from 30-35% earlier to 12%-15% presently thus translating to better margins. Export sales and additional orders from construction and agriculture segment are expected to add improvement in the PBILDT margins going forward.

Satisfactory capital structure and debt coverage indicators

The capital structure moderated marginally, however, stood comfortable marked by overall gearing of 0.34x as on March 31, 2025, against 0.29x as on March 31, 2024. Moderation was on account of increase in working capital borrowings and lease liability during the year. Total outside liability to total net worth (TOL/TNW) also stood comfortable at 0.72x as on March 31, 2025, against 0.70x as on March 31, 2024.

Further, as per recent announcement dated July 31, 2025, the company's board of directors approved allotment of 5,84,000 equity shares of the company having face value of ₹10 each on preferential basis to its parent Yuken Kyogo Company Limited at a price of ₹1026 per equity share including a premium of ₹1016 per equity share. The company received approval from shareholders on June 27, 2025. This is expected to substantially improve the net-worth base and thus, irrespective of the debt-funded capex, the capital structure is expected to remain satisfactory going forward. Debt coverage indicators stood satisfactory marked by interest coverage of 5.35x in FY25 (FY24: 5.38x) and total debt/PBILDT of 1.79x in FY25 (FY24: 1.72x).

Experienced promoters with continued technical support from YKC

YIL has over four decades' track record in its business with technical and financial collaboration with its parent, YKC. The company's day-to-day affairs are managed by C P Rangachar (MD) and Narasinga Rao (CFO) who have commendable experience in the hydraulic industry and are 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 supported YIL's capex plans through equity infusion of ₹62.90 crore in FY24 and as stated above it is further in process of infusing ₹59.91 crore of equity in a month.

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 over 50 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 depends 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.

Ongoing group level capex

Post recovery from industry slowdown and covid-19 implications, YIL has been investing in capex for the expansion, modernisation, and automation to setup of in-house facility for currently subcontracted activities. The capex incurred will help the company to manufacture products suitable for export.

Currently, Yuken has total group level capex plan of ₹174 crore. The company plans to fund the capex through equity infusion from its parent, ₹30 crore of term loan and balance through internal accruals. Through this capex, the company plans to export its products to its parent in Japan. Thus, completion of capex while mitigating operational, stability and profitability risk and commencement of export sales as envisaged remains to be seen and shall remain a 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 company is expected to generate cash accruals in the range of ~₹50 -₹90 crore in the projected years which will be sufficient to meet its repayment obligations of ₹11-13 crore in the projected years. The average fund utilisation for 12-months ended May 2025 stood at 65%. The cash and bank balances stood at ₹2.13 crore as on March 31, 2025, on a consolidated basis. The operating cycle slightly moderated to 124 days in FY25 against 119 days in FY24.

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 and 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, 2024 (A)	March 31, 2025 (A)
Total operating income	423.14	458.08
PBILDT	45.47	55.62
PAT	18.79	24.60
Overall gearing (times)	0.29	0.34
Interest coverage (times)	5.38	5.35

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 (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		-	-	-	14.11	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	February 2026	8.47	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		-	-	-	6.50	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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	14.11	CARE BBB+; Stable	-	1)CARE BBB+; Stable (04-Oct-24)	1)CARE BBB; Stable (04-Sep-23)	1)CARE BBB; Stable (28-Sep-22)
2	Non-fund-based - ST-BG/LC	ST	6.50	CARE A3+	-	1)CARE A3+ (04-Oct-24)	1)CARE A3+ (04-Sep-23)	1)CARE A3+ (28-Sep-22)
3	Fund-based - LT-Term Loan	LT	8.47	CARE BBB+; Stable	-	1)CARE BBB+; Stable (04-Oct-24)	1)CARE BBB; Stable (04-Sep-23)	1)CARE BBB; Stable (28-Sep-22)
4	Fund-based - ST-Working Capital Demand loan	ST	30.00	CARE A3+	-	1)CARE A3+ (04-Oct-24)	1)CARE A3+ (04-Sep-23)	1)CARE A3+ (28-Sep-22)
5	Fund-based/Non-fund-based-LT/ST	LT/ST	68.50	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (04-Oct-24)	1)CARE BBB; Stable / CARE A3+ (04-Sep-23)	1)CARE BBB; Stable / CARE A3+ (28-Sep-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-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 linkage
2	Grotek Enterprises Private Limited	Full	100.00% Subsidiary with strong linkage
3	Kolben Hydraulics Limited	Full	95.03% Subsidiary with strong linkage
4	Sai India Limited	Proportionate	40.00% Associate with strong linkage
5	AEPL Grotek Renewable Energy Private Limited	Proportionate	26.02% Associate with strong linkage
6	Bourton Consulting (India) Private Limited	Proportionate	19.52% Associate with strong linkage

Note on complexity levels of rated instruments: CareEdge 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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: 91-80- 4662 5555 E-mail: karthik.raj@careedge.in Manohar S Annappanavar Associate Director **CARE Ratings Limited** Phone: 912267543436 E-mail: manohar.annappanavar@careedge.in Arnav Navarange Analyst **CARE Ratings Limited** E-mail: Arnav.Navarange@careedge.in

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