	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/2023	E-mail:	hmn_rao@yukenindia.com
Date:	06/09/2023	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 September, 2023.

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**

VIGNESH P
Digitally signed by VIGNESH P
Date: 2023.09.06 14:56:04 +05'30'

Vignesh P
Company Secretary & Compliance Officer

Yuken India Limited

September 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	29.22 (Reduced from 44.54)	CARE BBB; Stable	Reaffirmed
Long-term / Short-term bank facilities	68.50	CARE BBB; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	34.50 (Reduced from 36.50)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Yuken India Limited (YIL) continue to factor in the consistent improvement in its operational performance post revival in demand from the end-user segment, and long operational track record resulting in established relationship with reputed customer base. YIL is also benefitted from the experience of its promoter – Yuken Kogyo Company Limited, Japan (YKC), which has also infused equity of ₹62.9 crore in July 2023 to fund capex plans to enhance the capability to target export markets. CARE Ratings Limited (CARE Ratings) also takes note of the receipt of entire cashflows from Brigade Enterprises Limited with which YIL had earlier entered into Joint Development agreement (JDA) to build residential project. The ratings also derive strength from satisfactory capital structure and debt coverage indicators.

However, these rating strengths are partially offset by modest return on capital employed (ROCE) for the company and susceptibility of profitability to volatile raw material margins as well as the performance of end-user industries.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in sales >₹450 crore while maintaining a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin >10% 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.

Analytical approach: Consolidated

Consolidated, as the subsidiaries and associates operate in supporting functions (mainly suppliers) to YIL. The list of subsidiaries and associates of the company is attached as Annexure-6.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation of the company being able to sustain its improving operational performance and growing revenue, aided by revival in demand from the end-user industry and established relationships with the reputed clientele.

Detailed description of the key rating drivers:

Key strengths

Consistent improvement in operational performance post revival in demand from the end-user segment

After YIL's performance was impacted during FY20 and FY21 due to slowdown in the end-user industry and COVID-19, there has been a sharp recovery in its revenue. The total operating income (TOI) grew by 55% during FY22 and around 12% in FY23 which is further expected to grow in the upcoming years.

YIL is in the process of automating the production process of pumps and valves with an objective 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.

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

Satisfactory capital structure and debt coverage indicators
The company's capital structure remained satisfactory with overall gearing at 0.61x as on March 31, 2023 (PY: 0.61x). Led by stable cash accruals, the TD/gross cash accruals (GCA) stood at to 4.44x as on March 31, 2023 (PY: 4.45x), and the interest coverage stood at 3.37x in FY23 (PY: 4.22X). While the company has ongoing capex, the same is pre-dominantly funded out of equity, and therefore, CARE Ratings expects that the company would be able to improve its capital structure going forward.

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, Yuken Kogyo Company Limited, Japan (YKC). The day-to-day affairs of the company 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.

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 Ltd, SAIL, HMT, BHEL, Tata-Hitachi, JCB, NTPC, Toyota, Honda, Toshiba, L&T, BEML & Machine tool like BFW, Jyothi, Kennametal, LMW, Macpower, Steel Industry like Jindal, CMI, JSW TATA Steel etc. Over the period, the company has developed strong relationships with customers resulting in repeat orders thus providing stability to the revenues. YIL enjoys a strong network of about 58 dealers which is a major contributor to the sales and servicing capability which differentiates it from competition.

Key weaknesses

Volatile raw material prices
The company has no long-term contract with the suppliers of raw materials and solely depends upon the established relationships. The prices of YIL's major raw material, i.e., 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 the risk associated with adverse movement in the raw material prices.

Moderate profitability margins and return indicators
The PBILDT margins stood at 8.85% in FY23 (PY: 10.44%). The dip in the margin is on account of increase in price of raw materials and change in product mix. During H2FY23, the company had to execute pre-covid orders for which it could not fully pass on the increased raw material price to its customer. However, the company does not hold any pre-covid orders currently. Though margins declined in FY23, it is still higher than pre-COVID-19 levels. Margins are likely to improve considering economies of scale and completion of earlier low margin orders. ROCE of the company is also modest as its yet to achieve optimum level of operations though is gradually improving.

Liquidity: Adequate

The liquidity of the company mainly derives comfort from its parentage which has arranged banking lines for YIL from Japan-based banks by extending Corporate Guarantee to secure the facilities. Improvement in cash generation from its core business operations, revival in demand from the end-user industry and receipt of cashflows from residential project has aided in maintaining adequate liquidity position. Furthermore, the firm is expected to generate sufficient GCA against repayment for the projected year FY24. The average fund utilisation for the 12-month period ended June 2023 was 71%. The cash and bank balances stood at ₹ 3.25 crore as on March 31, 2023. The operating cycle has remained satisfactory at 120 days in FY23 compared with 116 days in FY22.

Applicable criteria

Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Short Term Instruments
Manufacturing Companies
Policy on default recognition
Rating Outlook and Credit Watch
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic 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 various industries such as steel, machine tools, power, automobiles, infrastructure, etc. The entire product range of YIL 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 in Haryana, Peenya in Bengaluru, Mumbai, and Malur in Karnataka; one for its foundry division at Malur, one unit of tool and hydraulic spares at Mahadevapura in Bengaluru and one facility for gear pumps at Malur.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	June 30, 2023 (UA)
Total operating income	331.81	373.03	95.84
PBILDT	34.65	33.01	9.28
PAT	13.76	9.65	1.26
Overall gearing (times)	0.61	0.61	0.45
Interest coverage (times)	4.22	3.37	3.48

A: Audited UA: Unaudited ; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various 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 along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	13.50	CARE BBB; Stable
Fund-based - LT-Term loan	-	-	-	February 2026	15.72	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 the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash credit	LT	13.50	CARE BBB; Stable	-	1)CARE BBB; Stable (28-Sep-22)	1)CARE BBB-; Positive (06-Oct-21)	1)CARE BBB-; Stable (01-Oct-20) 2)CARE BBB; Negative (07-Jul-20)
2	Non-fund-based - ST-BG/LC	ST	4.50	CARE A3+	-	1)CARE A3+ (28-Sep-22)	1)CARE A3 (06-Oct-21)	1)CARE A3 (01-Oct-20) 2)CARE A3 (07-Jul-20)
3	Fund-based - LT-Term loan	LT	15.72	CARE BBB; Stable	-	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+ (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+ (28-Sep-22)	1)CARE BBB-; Positive / CARE A3 (06-Oct-21)	-

*Long term/Short term.

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

Annexure-4: Complexity level of the various 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 the lender wise details of bank facilities please click here

Annexure-6: List of subsidiaries and associates

Sr.	Name of company	% Shareholding*
	Subsidiaries	
1	Coretec Engineering India Private Limited	100.00%
2	Grotek Enterprises Private Limited	100.00%
3	Kolben Hydraulics Limited	95.30%
	Associates	
4	Sai India Limited	40.00%
5	AEPL Grotek Renewable Energy Private Limited	26.02%
6	Bourton Consulting (India) Private Limited	29.54%

*As on March 31, 2023

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

For the detailed Rationale Report and subscription information, please visit www.careedge.in