13th May, 2024

To

The Manager - Listing,
BSE Limited,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 543276

The Manager - Listing,
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex ,
Bandra (East),
Mumbai - 400 051
Stock Code: CRAFTSMAN

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Credit Ratings reaffirmed to DR Axion India Private Limited (subsidiary of Craftsman Automation Limited);

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the credit rating agency i.e. CRISIL Ratings Limited vide their letter dated 10th May, 2024 which was received by the Company on 13th May, 2024 have reaffirmed Credit Ratings for the Long term and Short term bank facilities of DR Axion India Private Limited, Subsidiary of the Company as below:

Rating Action:

Sr.No.	Loan Facilities Rated	Existing Assigned	Rating Action
1.	Long Term Rating	CRISIL AA-/Stable	Reaffirmed
2.	Short Term Rating	CRISIL A1+	Reaffirmed

CRISIL Rating rationale of the Subsidiary is enclosed for your reference.

Kindly take the same into your records.

Thanking you.

Yours faithfully,
for CRAFTSMAN AUTOMATION LIMITED

Shainshad Aduvanni Digitally signed by Shainshad Aduvanni Date: 2024.05.13 12:42:27 +05'30'

Shainshad Aduvanni
Company Secretary & Compliance Officer

Encl: As above

Craftsman Automation Limited

Registered Office:
123/4, Sangothipalayam Road,
Arasur Post, Coimbatore – 641 407
Tamil Nadu, India

Corporate Office:
No.1087, 4th & 5th Floor, Krishna Towers,
Avinashi Road, Coimbatore - 641037
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Tel + 91 422 71 610 00
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info@craftsmanautomation.com
www.craftsmanautomation.com

CIN NO: L28991TZ1986PLC001816
GST NO: 33AABCC2461K1ZW

CRISIL Ratings

Rating Rationale

May 10, 2024 | Mumbai

DR Axion India Private Limited

Ratings reaffirmed at 'CRISIL AA-/Stable/CRISIL A1+'

Rating Action

Total Bank Loan Facilities Rated	**Rs.313.97 Crore**
Long Term Rating	**CRISIL AA-/Stable (Reaffirmed)**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings on the bank facilities of DR Axion India Private Limited (DRAIPL) at 'CRISIL AA-/Stable/CRISIL A1+'.

The rating reflects the healthy business risk profile of DRAIPL supported by its established presence with leading passenger vehicle (PV) original equipment manufacturers (OEMs), with whom it enjoys leading positions for supply of cylinder heads and cylinder blocks. The rating is also supported by DRAIPL's healthy order book, improving operating efficiencies and its healthy financial risk profile. Besides, the rating also factors the strong parentage of Craftsman Automation Limited (CAL, rated 'CRISIL AA-/Stable/CRISIL A1+'). These strengths are partially offset by high product and customer concentration, risks associated with single location plant and slowdown in demand for PVs, and susceptibility of margins to volatile raw material prices.

On May 4, 2024, CAL announced that it has signed a definitive agreement with Daerim International Co Limited, South Korea (Daerim) to acquire the residual 24% shareholding it holds in DRAIPL for a cash consideration of Rs.250 crore. The acquisition is expected to be completed by June 2024, post which DRAIPL will become a wholly owned subsidiary of CAL. Earlier in February 2023, CAL acquired 76% stake in DRAIPL from its erstwhile parent Daerim for Rs.375 crore.

DRAIPL continues to have long standing relationship with its key customers, namely Hyundai Motor India Ltd (HMIL, rated 'CRISIL AAA/Stable/ CRISIL A1+') and Kia Motor India Limited (KMIL) where DRAIPL is the sole supplier for cylinder heads. In the recent past, it also commenced supplies of cylinder blocks & cylinder heads to Mahindra & Mahindra Ltd (M&M, rated 'CRISIL AAA/Stable/CRISIL A1+') through M&M's 100% subsidiary, Mahindra Heavy Engines Ltd (MHEL).

DRAIPL's revenue rose by ~15% on-year in fiscal 2024, supported by strong growth from PV OEMs it supplies to, and revenue growth is expected at 8-10% over the near to medium term. Operating profitability improved to 19.1% in fiscal 2024 from 13.4% in fiscal 2023 (7.8% in fiscal 2022) on account of change in procurement policy, stable raw material prices and other process improvements. Further, healthy volume growth resulted in better fixed cost absorption and along with improved cost efficiencies led to better profitability during fiscal 2024. Over the near to medium-term, operating margins are expected to stabilize at 17-19% backed by cost efficient raw material sourcing, healthy volume growth, productivity improvements and savings on account of stoppage of royalty payments, to erstwhile parent of DRAIPL.

DRAIPL's financial risk profile is healthy and improving, supported by good growth in cash accruals and prudent management of working capital. Debt protection metrics remain comfortable with gearing of 0.37 times at March 31, 2024 (0.77 times on March 31, 2023 and 1.33 times on March 31, 20222), and interest coverage ratio of 11.95 times in fiscal 2024 (6.44 times in fiscal 2023). Continued steady business performance and better operating profitability resulting in improving cash accruals, well managed capex spend and prudent working capital management, will enable debt protection metrics remain at comfortable levels over the near to medium term. For instance, gearing is expected at under 0.40 times over the medium term.

DRAIPL's current parent, CAL, manufactures several components and sub-assemblies on supply and job-work basis according to client specifications in the auto, industrial and engineering segments. Its key products in the auto segment include power train products, cylinder blocks, cylinder heads, cam shafts and crank cases for commercial vehicles (CVs), sports utility vehicles (SUVs), two-wheelers, farm equipment and earthmoving and construction equipment. CAL also has a non-ferrous sand foundry catering to power transmission equipment manufacturers. Its industrial and engineering segment has a wide range of products, including industrial gears, storage solutions, material handling and locomotive engine components. CAL has a tool room that supplies dies for injection moulding and mould base. Moreover, it manufactures special-purpose machines for metal and non-metal cutting.

The acquisition of DRAIPL by CAL has led to enhancement of CAL's product and OEM base, with addition of PV OEMs. CAL and DRAIPL both operate in the auto components space and have strengths in complementary areas. CAL has presence in high pressure die castings (HPDC), low pressure die castings (LPDC), gravity die casting (GDC) and sand casting of components, while DRAIPL has presence mainly in LPDC and GDC components.

Analytical Approach

CRISIL Ratings has followed standalone approach in credit risk assessment of DRAIPL, and applied its parent notch-up framework to factor in strong operational linkages, financial and managerial support to be provided by CAL.

Key Rating Drivers & Detailed Description

Strengths:

- **Established relationship with auto OEMs in PV segment reflecting in healthy order book:** DRAIPL is the sole supplier of cylinder heads and cylinder blocks for major OEMs like HMIL, KMIL and key models of M&M (supplied through MHEL). Besides, it will also supply cylinder blocks and heads for all upcoming PV models of M&M. The company receives production schedule upfront from these OEMs which helps in DRAIPL to plan its production accordingly. The relationship with the Korean OEMs operating in the PV space in India was established by its erstwhile parent, DR Axion, Korea, who supplied to parent entities of HMIL and KMIL in Korea. Besides, DR Axion, Korea also used to supply similar components to SsangYong Motor Company (SMC), which was until recently a subsidiary of M&M and sold to Korea based KG Group in 2022.

- **Improving cost efficiencies, aiding operating capabilities:** DRAIPL's erstwhile ultimate parent, DR Axion, Korea is a global component supplier to Hyundai group's plants in China and South Korea and has provided operational support and technical expertise to DRAIPL, which has helped it establish strong relationships with the Hyundai group OEMs (HMIL and KMIL) operating in India. DRAIPL also employs modern automated production lines similar to those used by DR Axion, Korea.

  DRAIPL has ISO/TS 16949:2009, ISO 14001:2004 and OHSAS 18001:2007 and HMI Quality 4-star certifications. The company has over 10 separate production lines dedicated for each project, thus enabling the company to seamlessly produce its products simultaneously. Also, as per the arrangement with DR Axion, Korea, key personnel continue to be deputed from the erstwhile ultimate parent at DRAIPL even post-acquisition of majority stake by CAL.

  CAL by virtue of its vast experience in the automotive component space, and in similar segments as DRAIPL, is expected to enhance the productivity and quality of DRAIPL's output, thereby enhancing its ability to introduce new products as well as share of business with existing customers. Also, while focussing on increasing automation, common sourcing of aluminium is also expected to help CAL enhance its operating margins. For instance, operating profitability improved to 19% in fiscal 2024 on account higher sale volumes and cost rationalisation initiatives, compared with 13.48% during fiscal 2023. DRAIPL's RoCE was also healthy at ~38.8% in fiscal 2024, and is expected to remain above 30% over medium term.

- **Healthy financial risk profile:** DRAIPL's net worth was at Rs.389 crores on March 31, 2024 and is expected to improve steadily reaching ~Rs. 500 crores over the medium term, supported by steady cash generation. Gearing as of March 31, 2024 stood at 0.37 times and is expected to be under 0.4 times over the medium term. Interest cover for fiscal 2024 was at 11.95 times and is expected to increase further in the absence of material debt funded capex.

  DRAIPL had implemented capex of ~Rs. 380 crores from fiscals 2019-23 towards setting up of its second plant in the existing premise near Chennai, Tamil Nadu, and also for adding new production lines for different projects. Capex during fiscal 2024 was limited to Rs.25 crore spent towards maintenance purposes. Capex over the next two years is projected around ~Rs.40-60 crore which will be for maintenance purposes, cycle time reduction and automation. Besides, DRAIPL may also invest in procuring land for a new plant in the near to medium term, as material capacity addition may not be possible at its existing facility. Lower gearing and improving networth will provide adequate headroom for DRAIPL to raise debt for the capex purposes, if required.

- **DRAIPL to benefit from strong parentage of CAL:** DRAIPL will become a wholly owned subsidiary of CAL post acquisition of the residual 24% stake for Rs.250 crore. It may be noted that CAL had already completed the acquisition of 76% stake in DRAIPL from Daerim during February 2023 for a consideration of Rs. 375 crores. CAL with its vast industry expertise in automotive components of over 3 decades is expected to provide strong managerial, operational and financial support (if required) to DRAIPL.

  While DRAIPL has the capability to manufacture only primary castings for cylinder blocks and heads, machining of the same is done by the Korean OEMs themselves. For M&M, CAL does the machining of castings supplied by DRAIPL, adding value for the customer. CAL also benefits from access to DR Axion's technology for manufacture of components for PVs. No royalty is payable to DR Axion, Korea for existing products. Common sourcing of primary raw material, aluminium is also undertaken by CAL, from its wide range of vendors (compared with sole supplier for DRAIPL earlier), which enables cost savings for DRAIPL.

  CAL has also deputed several of its personnel to oversee different aspects of operations at DRAIPL and also oversees treasury and financial operations. Besides, four of the board of directors of CAL are on the board of DRAIPL.

Weaknesses:

- **Concentrated product and customer base, and single location related risks:** While DRAIPL does not have export revenue or presence in the aftermarket (due to nature of products which are critical engine components with long life), product concentration risks exists especially with PV electric vehicles (EVs) expect to witness healthy penetration over the next five years – for the record, the current components manufactured by DRAIPL are used only in internal combustion engines (ICE) of PVs. That said, share of PV EVs in overall PVs sold is not expected to exceed 20-25% over the next 5 years, which will ensure steady business for DRAIPL over the medium term. However, development of products for PV EVs can help broaden the product and customer base for DRAIPL; its parent CAL is already supplying EV components to two-wheeler EV OEMs.

Customer concentration in DRAIPL's revenue base is also high with more than 95% revenues being generated from M&M (through MHEL), HMIL and KMIL in fiscal 2024. However, risks on this account are partly mitigated by the fact that these 3 OEMs account for over ~30% market share (as of fiscal 2024) in the domestic PV market and DRAIPL is the sole supplier of cylinder blocks and heads for HMIL and KMIL, and cylinder head and blocks for select models of M&M. That said, with its entire revenues coming from the PV segment and its manufacturing operations concentrated on a single location, any slowdown in PV sales or any operational challenges at the manufacturing unit may impact DRAIPL's operations.

- **Volatile aluminium prices could affect operating margins:** The company's margins are exposed to fluctuations in raw material prices. The price of aluminium, its key raw material, have been highly volatile in the last few fiscals with its prices increasing over 50-60% between fiscals 2022 and 2023, and then dipping in fiscal 2024. Given that, the company has a quarterly pricing arrangement with its customers, it will not be able to pass the entire increase in raw material prices to its end customers leading to volatility in operating margins. However, the same is partly mitigated with raw material procurement being centralized, post-acquisition and in the inventory policy of the company is aligned with CAL.

Liquidity: Strong
DRAIPL's overall liquidity position is strong, mainly on account of similar position of its parent, CAL. Its own liquidity is adequate and benefits from its steady cash generating ability and moderate availability in form of unutilized working capital bank limits. Net cash accruals are expected to range over Rs.150 crore annually, over the medium term, and will suffice to meet annual debt obligations of Rs.37 crore each in fiscal 2025 and 2026, and also fund capex and incremental working capital needs. Need based support from CAL, if required, may also be forthcoming.

Outlook: Stable
CRISIL Ratings believes that DRAIPL will benefit from the strong operational and financial support it receives from its parent, CAL, along with its established relationships with customers and suppliers, a healthy order book, and strong operating efficiencies The company is also expected to sustain its healthy financial risk profile, supported by prudent working capital management, and modest capital spend.

Rating Sensitivity factors
Upward factors
- Healthy double-digit growth in revenues, supported by better customer and product diversity, and operating profitability of over 19-20% on sustained basis, leading to better-than-expected cash generation.
- Sustenance of healthy financial risk profile and debt metrics.
- Improvement in credit profile of CAL, by one or more notches.

Downward factors
- Sluggish revenue or decline in operating profitability below 13-14% on sustained basis impacting cash accruals.
- Large, debt-funded capex or elongation of working capital cycle, impacting debt metrics materially.
- Downward revision in the credit risk profile of CAL or change in stance of support.

About the Company
Incorporated in December 2006, DRAIPL manufactures cylinder heads, cylinder blocks which are critical auto components used in PVs as outer shell of internal combustion engines. The company has a manufacturing facility at Tiruvallur near Chennai with a capacity to produce ~18.3 lakh cylinder heads and ~2.3 lakh cylinder blocks per annum respectively. As on March 31, 2024, the company is held by CAL (76%) and Daerim (24%, ultimately held by DR Axion, Korea).

About the Parent
Incorporated in 1986 in Coimbatore, Tamil Nadu, by Mr S Ravi, CAL manufactures several components and sub-assemblies on supply and job-work basis according to client specifications in the auto, industrial and engineering segments. Key products in the auto segment include power train products, cylinder blocks, cylinder heads, cam shafts and crank cases for CVs, sports utility vehicles, two-wheelers, farm equipment and earthmoving and construction equipment.

CAL also has a non-ferrous sand foundry catering to power transmission equipment manufacturers. Its industrial and engineering segment has a wide range of products, including industrial gears, storage solutions, material handling and locomotive engine components. CAL has a tool room that supplies dies for injection moulding and mould base. Moreover, it manufactures special-purpose machines for metal and non-metal cutting.

Post the initial public offering (IPO) in fiscal 2022, the promoter and promoter group, comprising Mr. S Ravi and his family, continue to hold majority stake of 54.99% in CAL.

Key Financial Indicators

As on/for the period ended March 31*	Unit	2024	2023
Revenue	Rs Crore	1246	1084
Profit After Tax (PAT)	Rs Crore	137	58
PAT Margin	%	11.0	5.4
Adjusted Debt/Adjusted Networth	Times	0.37	0.77
Interest Coverage	Times	11.95	6.44

**CRISIL Ratings adjusted numbers*

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Term Loan	NA	9	18-Sep-2026	40.63	NA	CRISIL AA-/Stable
NA	Term Loan	NA	9.89	17-Sep-2026	12.19	NA	CRISIL AA-/Stable
NA	Term Loan	NA	8.69	23-Oct-2028	18.69	NA	CRISIL AA-/Stable
NA	Term Loan	NA	8.69	23-Oct-2028	2.64	NA	CRISIL AA-/Stable
NA	Term Loan	NA	8.69	23-Oct-2028	15.24	NA	CRISIL AA-/Stable
NA	Term Loan	NA	9.25	07-Feb-2026	13.33	NA	CRISIL AA-/Stable
NA	Term Loan	NA	9.2	01-Dec-2025	6.25	NA	CRISIL AA-/Stable
NA	Term Loan	NA	9	15-Nov-2028	10	NA	CRISIL AA-/Stable
NA	Term Loan	NA	9.2	31-Aug-2029	50	NA	CRISIL AA-/Stable
NA	Working Capital Demand Loan	NA	NA	NA	55	NA	CRISIL AA-/Stable
NA	Working Capital Demand Loan	NA	NA	NA	10	NA	CRISIL AA-/Stable
NA	Working Capital Demand Loan	NA	NA	NA	25	NA	CRISIL AA-/Stable
NA	Proposed Working Capital Facility	NA	NA	NA	15	NA	CRISIL AA-/Stable
NA	Proposed Term Loan	NA	NA	NA	25	NA	CRISIL AA-/Stable
NA	Letter of Credit	NA	NA	NA	15	NA	CRISIL A1+

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	298.97	CRISIL AA-/Stable		--	02-08-23	CRISIL AA-/Stable		--		--	--
Non-Fund Based Facilities	ST	15.0	CRISIL A1+		--	02-08-23	CRISIL A1+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Letter of Credit	15	HDFC Bank Limited	CRISIL A1+
Proposed Term Loan	25	Not Applicable	CRISIL AA-/Stable
Proposed Working Capital Facility	15	Not Applicable	CRISIL AA-/Stable
Term Loan	40.63	HDFC Bank Limited	CRISIL AA-/Stable
Term Loan	12.19	HDFC Bank Limited	CRISIL AA-/Stable

Term Loan	18.69	HDFC Bank Limited	CRISIL AA-/Stable
Term Loan	2.64	HDFC Bank Limited	CRISIL AA-/Stable
Term Loan	15.24	HDFC Bank Limited	CRISIL AA-/Stable
Term Loan	13.33	HDFC Bank Limited	CRISIL AA-/Stable
Term Loan	6.25	HDFC Bank Limited	CRISIL AA-/Stable
Term Loan	10	HDFC Bank Limited	CRISIL AA-/Stable
Term Loan	50	Axis Bank Limited	CRISIL AA-/Stable
Working Capital Demand Loan	25	YES Bank Limited	CRISIL AA-/Stable
Working Capital Demand Loan	55	HDFC Bank Limited	CRISIL AA-/Stable
Working Capital Demand Loan	10	Axis Bank Limited	CRISIL AA-/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings
Rating Criteria for Auto Component Suppliers
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
Understanding CRISILs Ratings and Rating Scales
CRISILs Criteria for rating short term debt

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For more information, visit www.crisilratings.com

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