Studds Accessories Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	25.00 (Enhanced from 20.00)	CARE A+; Stable / CARE A1+	LT rating reaffirmed and ST rating assigned
Long-term bank facilities	-	-	Withdrawn
Short-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Studds Accessories Limited (SAL) reflects the established track record of operations with experienced promoters, strong brand recall and the leadership position of SAL in the helmet industry catering to a diversified customer base including OEMs and extensive dealer network.

Ratings also factor in the comfortable financial risk profile of the company marked with miniscule debt outstanding, efficiently managed working capital requirements and robust operational performance reflective in its sustained revenue growth and margin expansion in FY24 (refers to April 01 to March 31) and H1FY25 (refers to April 01 to September 30) driven primarily by increased sales volume and higher export business. CARE Ratings Limited (CARE Ratings) expects SAL's credit profile to remain comfortable based on the healthy demand, uptick in operating profitability with focus on exports and strong liquidity position in absence of any major debt funded capex plans in near to medium term.

However, Ratings continue to remain constrained by the vulnerability to raw material price volatility and competition from both organised and unorganised players in the market.

CARE Ratings has also withdrawn the rating for SAL's term loan and non-fund-based working capital limits with immediate effect as the company has repaid these bank facilities in full and there is no amount outstanding as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in its total operating income (TOI) beyond ₹750 crore, profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 20% and return on capital employed (ROCE) over 30% on a sustained basis.

Negative factors

- Decline in PBILDT margin below 12% on a sustained basis, thereby resulting in moderation in debt coverage indicators.
- Decreasing liquidity profile of company; net of debt obligations.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings expectation that SAL would continue to maintain its dominant position in the helmet industry, which should help maintain its comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Dominant market position, long track record of operations and reputed client base

SAL has established a strong reputation in the helmet industry for over four decades, commanding ~25% market share in India. The company's influence extends beyond domestic borders, with a robust global presence, exporting its products to over seventy countries across Europe, Asia, America, Australia, and the Middle East. SAL markets helmets under its Studds and SMK (premium) brands. In addition to helmets, the company offers a range of accessories, including jackets, gloves, luggage boxes, face shields, and visors, among others.

SAL has a long-standing history of supplying products to well-known original equipment manufacturers (OEMs) such as Honda Motor, Royal Enfield, Hero Motocorp, and Yamaha, among others. Gaining product approval from OEMs is a time-consuming and

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

costly process. Furthermore, as helmets are critical for safety and comfort, combination of domain expertise and strong brand recall creates significant entry barriers for new players in the industry.

SAL maintains strong relationships with its domestic OEMs and retailers across India. The promoters' extensive industry expertise and strong relationships with clients enable SAL to maintain its leading market position. The company primarily sells its products through dealers, OEMs, government canteens, exports, and its own website. In FY24, SAL demonstrated a diversified customer base, with revenue concentration from its top 10 customers remaining relatively low at ~30%, compared to 34% in the previous fiscal.

Improved capital structure and debt coverage indicators marked by nil long-term debt
As of March 31, 2024, SAL maintained a comfortable capital structure, reflected by an overall gearing ratio of 0.02x and a total outside liabilities to tangible net worth (TOL/TNW) ratio of 0.21x, improving from 0.09x and 0.32x, respectively, in the previous year.

CARE Ratings notes that SAL plans to undertake a capacity expansion with an estimated total cost of ~₹55.00 crore, to be funded through internal accruals in the 2-3 years. The company has already invested ~₹10.00 crore in the current fiscal and further plans to spend an additional ₹20 crore in the next fiscal year. Remaining costs are expected to be incurred in FY27 and FY28, depending on prevailing market conditions. Given the company plans to fund its capex through internal accruals, SAL's capital structure is expected to remain robust going forward as well.

Robust operational performance
In FY24, SAL reported a 5% increase in total income, rising from ₹504.22 crore in FY23 to ₹531.66 crore in FY24. This growth was primarily driven by higher sales volume, with the company selling ~71 lakh helmets compared to 62 lakh in the previous fiscal year.

PBILDT margins improved significantly from 12.95% in FY23 to 17.62% in FY24, supported by a reduction in the cost of materials consumed. Margins are expected to improve further as export sales, which yield higher margins compared to domestic sales, continue to grow.

In H1FY25, SAL reported revenue of ₹290.17 crore, a 10.91% increase from ₹261.63 crore in H1FY24. PBILDT margins also improved to 19.42% in H1FY25, up from 14.75% in the same period last year, reflecting the company's ongoing operational efficiency and growth.

Efficient operating cycle
SAL sources materials from micro, small, and medium enterprises (MSME) and non-MSME suppliers, benefiting from a credit period of ~30–60 days.
On the receivables side, export payments are secured either in advance or through Letter of Credit (LC), while dealer payments are typically received within seven days. For online sales and OEM transactions, receivables are collected within 30–45 days and for government customers the receivable period is typically around 0-180 days.
This efficient receivable management results in a negative working capital cycle, enabling SAL to manage its working capital requirements effectively and maintain strong liquidity.

Key weaknesses

Exposure to raw material price volatility
Around 50% of SAL's raw materials are derivatives of crude oil; hence the prices of its raw materials vary with the fluctuation in international crude oil prices. SAL enters short-term contracts with its customers to mitigate large raw material price volatility. Moreover, SAL being market leader has bargaining power to pass on increase in raw material prices to its customers, however, with increased competition the same cannot be passed on fully.

Exposure to competitive pressure
The domestic helmet industry in India is dominated by a few large, organised players—Studds, Steelbird, and Vega— that together account for majority market share. SAL faces competition from these established players, and from smaller organised and unorganised manufacturers, which could impact its operating profitability margins. However, in recent years, the industry's organised segment has been expanding, and as a result, major organised players, including SAL, have experienced revenue growth and improved margins. This trend indicates a positive shift towards organised manufacturing, benefiting key industry players.

Liquidity: Strong

SAL has strong liquidity, highlighted by its cash and cash equivalents totalling to ₹55.07 crore as of September 30, 2024 (includes ₹52.85 crore in lien-free fixed deposits). The company holds lien-marked FDs of ₹23.30 crore against its working capital limits of ₹25 crore. The company is expected to earn gross cash accruals (GCA) of ~₹94 crore in FY25 against nil debt repayments. The company's average working capital utilisation for 12-months ending January 2025 is nominal below 5%, providing adequate buffer to manage its working capital requirements efficiently.

Applicable criteria

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Diversified consumer products

SAL was incorporated in 1983 and promoted by Madhu Bhushan Khurana, Chairman and Managing Director. The company manufactures helmets and motorcycle accessories (luggage box, face shield, and visor among others) for two-wheelers and sells through a network of over 340 dealers across India. The company's manufacturing facilities are at Faridabad (Haryana).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	504.22	531.66	287.45
PBILDT	65.47	93.68	53.76
PAT	33.26	57.23	33.51
Overall gearing (times)	0.09	0.02	NA
Interest coverage (times)	22.48	54.09	76.80

A: Audited UA: Unaudited NA: Not Available; 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-Term Loan		-	-	30-09-2026	0.00	Withdrawn
Fund-based - LT/ ST-Working Capital Limits		-	-	-	25.00	CARE A+; Stable / CARE A1+
Non-fund-based - ST-Working Capital Limits		-	-	-	0.00	Withdrawn

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-Term Loan	LT	-	-	-	1)CARE A+; Stable (12-Feb-24)	1)CARE A+; Stable (03-Mar-23)	1)CARE A+; Stable (29-Mar-22)
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	25.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable (12-Feb-24)	1)CARE A+; Stable (03-Mar-23)	1)CARE A+; Stable (29-Mar-22)
3	Non-fund-based - ST-Working Capital Limits	ST	-	-	-	1)CARE A1+ (12-Feb-24)	1)CARE A1+ (03-Mar-23)	1)CARE A1+ (29-Mar-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-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

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

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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