

January 29, 2025

Machino Polymers Limited: Ratings upgraded to [ICRA]A- (Stable)/[ICRA]A2+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash Credit	80.50	48.50	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Stable)
Short-term – Non-fundbased – Letter of Credit	9.50	1.50	[ICRA]A2+; upgraded from [ICRA]A2
Long-term/Short-term – Fund-based/ Non-fund-based Limits	110.00	145.00	[ICRA]A- (Stable)/[ICRA]A2+; upgraded from [ICRA]BBB+ (Stable)/[ICRA]A2
Total	200.00	195.00	

* Instrument details are provided in Annexure-I

Rationale

The ratings upgrade for Machino Polymers Limited (MPL) factors in the strengthening of its financial risk profile marked by steady revenue growth, expansion in earnings and improvement in debt coverage metrics in FY2024 and H1 FY2025, along with ICRA's expectation of sustenance of the same over the near to medium term. MPL's revenue grew by 4% in FY2024 to Rs. 900.7 crore, supported by healthy volume growth (12.4% YoY in FY2024), capacity expansions and repeat business from customers. Sustaining the momentum, MPL has reported revenue of ~Rs. 500 crore in H1 FY2025 and is estimated to report ~6% growth in FY2025. The company also reported a healthy turnaround in profitability in FY2024 and H1 FY2025 (operating profit of Rs. 59.2 crore and Rs. 40.2 crore, respectively, over Rs. 3.6 crore in FY2023), supported by increasing economies of scale, timely receipt of price escalations from key customers, prudent forex risk management and cost rationalisation initiatives by the company. Healthy cash accrual generation coupled with MPL's limited debt levels led to improvement in the debt coverage metrics. Additionally, the ratings continue to derive comfort from MPL's established operational track record as a leading supplier of polypropylene (PP) compounds to original equipment manufacturers (OEMs) in the automotive industry and extensive experience of promoters in the PP compounds business for the domestic automotive market. Further, its wide customer base of reputed tier-1 auto ancillaries who service leading automotive OEMs of the domestic market strengthens its business profile.

However, the ratings remain constrained by the vulnerability of MPL's profitability to fluctuations in prices of key raw materials in the interim period, despite the provision of raw material cost pass-through with a lag of one quarter with most customers. The company's operations are working capital intensive in nature and remain exposed to the industry's high competitive intensity with its products, entailing limited value addition. Moreover, MPL is exposed to foreign currency fluctuation risk as a sizeable part of its raw materials are imported. However, MPL has a hedging policy and hedges its forex exposure on a regular basis. The company also remains exposed to high customer concentration risk as its top customer, Maruti Suzuki India Limited (MSIL) drives 60-65% of its revenue (routed through tier-1 suppliers) restraining the ratings. However, its high share of business and strong relationships with its customers mitigate the same to a large extent.

The Stable outlook on the rating reflects ICRA's opinion that MPL will continue to benefit from its established business position, healthy relationships with key customers, and steady demand from major end-user industries.

Key rating drives and their description

Credit strengths

Extensive experience of promoters and MPL's established market position as leading domestic supplier of PP compounds to tier-1 auto component manufacturers – Incorporated in 1996, MPL is a leading manufacturer of PP compounds to the automotive industry. The company has been promoted by the Jindal family, who have an extensive experience of more than three decades in the business. MPL maintains its market position through its plants at Gurgaon (Haryana), Ahmedabad (Gujarat) and Chennai (Tamil Nadu) across North, West and South India, respectively, with a total installed annual manufacturing capacity of ~135,000 MT as of H1 FY2025.

Customer base includes reputed tier-1 suppliers – MPL maintains a healthy relationship with its wide customer base of reputed tier-1 auto ancillaries such as Krishna Maruti Group, Motherson Sumi Systems Limited, PPAP Automotive Limited, Sun Vacuum Formers Private Limited and Bharat Seats Limited, among others. These tier-1 players ultimately service leading automotive OEMs of the industry, such as MSIL, Hyundai Motor India Limited (HMIL), Honda Motorcycle and Scooter India Private Limited (HMSI), and Tata Motors Limited (TML), among others. MPL is also a leading supplier of PP compounds to MSIL, routed through the latter's tier-1 auto ancillaries, and enjoys a healthy share of business with them.

Adequate financial risk profile – MPL's financial risk profile is adequate marked by steady scale up in revenues, healthy profitability and modest leverage. The company witnessed a revenue growth of 4% YoY in FY2024 and H1 FY2025 supported by capacity expansions and repeat order inflow. Moreover, timely receipt of price escalation compensation and prudent forex risk management led to healthy turnaround in profitability, reflected by operating profit margin (OPM) of 6.6% in FY2024 (0.4% in FY2023) and ~8% in H1 FY2025 (provisional). The dependence on external debt remained limited, which coupled with healthy cash accruals resulted in improvement of the company's debt coverage metrics. MPL's liquidity position also continued to remain adequate. Going forward, no major debt-funded capex plans and steady accrual generation of the business is expected to support MPL's comfortable capital structure and coverage position.

Credit challenges

Vulnerability of profitability to fluctuations in raw material prices and forex rates – MPL's operating margins are susceptible to fluctuations in the prices of key raw materials—PP and elastomers—sourced from domestic suppliers as well as imports. While there is a pass-through mechanism of the same with customers, this comes with a lag of a quarter and exposes the company's profitability to any adverse fluctuations in input prices for the interim period. Moreover, the profitability is exposed to foreign currency fluctuation risk as a sizeable part of the raw material requirement is imported, which further leads to volatility in its profit margins. However, the company has a hedging policy and continues to prudently manage its forex risk.

High competitive intensity of the industry limits pricing flexibility – MPL's nature of operations are exposed to high competitive intensity, facing pressures from several global and domestic suppliers of PP, limiting its pricing flexibility and entailing relatively lower value addition. However, it benefits to an extent from its extensive operational track record and established relationships with its key customers, with whom it enjoys a sizeable share of business.

High customer concentration risk – The company is exposed to high customer concentration risk as its top-10 customers have accounted for 55-60% of its total revenues and MSIL indirectly accounted for 60-65% of its business. However, the same has declined to some extent in recent years and is expected to decline further over the medium term, with the addition of new customers (OEMs being serviced indirectly through tier-1 ancillaries) and increased revenue contribution from non-auto segments. As of FY2024, passenger vehicles accounted for ~80% of its sales, followed by two-wheelers (15%) and white goods (5%). However, the contribution from the white goods segment is likely to pick up gradually over the medium term as MPL is expanding its capacity for the same.

Working capital intensive nature of operations – MPL’s operations remain working capital intensive with an NWC/OI¹ of ~20-25% on back of a wide variety of manufactured compounds, multiple manufacturing facilities and dependence on imports. The company maintains a receivable cycle of 80-90 days with customers, while its funding requirements are met through credit of up to 60-80 days from its vendors, along with working capital lines from the bank. However, its inventory cycle has improved to 50-60 days in recent years from 80-90 days in the past. Going forward, any funding requirements of the business emanating from anticipated growth are expected to be funded through internal accruals and sanctioned working capital lines.

Liquidity position: Adequate

MPL’s liquidity is **adequate**, supported by free cash and bank balances/liquid investments of ~Rs. 9.6 crore and average unutilised limits of ~Rs. 35-40 crore against its drawing power, as of November 30, 2024. Moreover, healthy cash accrual generation coupled with no major debt repayment liability, or any significant debt-funded capex plans in the near to medium term, are likely to further support MPL’s liquidity profile.

Rating sensitivities

Positive factors – ICRA could upgrade MPL’s ratings if there is substantial growth in revenues and improvement in operating margins, resulting in strengthening of debt protection metrics and liquidity profile. Specific credit metrics that could lead to an upgrade of MPL’s ratings include Total Outside Liabilities/ Total Net-worth (TOL/TNW) of less than 1.5 times on a sustained basis.

Negative factors – Negative pressure on MPL’s ratings could arise if there is decline in revenues and operating margins resulting in lower cash flows on a sustained basis. Significant debt-funded capex or deterioration in working capital cycle, impacting the company’s credit metrics and liquidity position could also be a trigger for a rating downgrade. Specific credit metrics that could lead to a downgrade of MPL’s ratings include interest coverage of less than 4.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Auto Components
Parent/Group support	Not applicable.
Consolidation/Standalone	ICRA has considered the consolidated financials of MPL for arriving at the ratings. As on March 31, 2024, the company had two subsidiaries, which are enlisted in Annexure-II.

About the Company

MPL is engaged in manufacturing PP composite materials and alloys for various automotive OEMs and tier-1 auto component manufacturers of bumpers, instrument panels and trims, etc. The company’s manufacturing facilities are at Gurgaon, Ahmedabad, Chennai, and the UAE, with a total installed production capacity of ~135,000 MT per annum (H1 FY2025). MPL is entirely held by the promoters (Jindal family) and promoter group companies (Machino Group). The PP compounds supplied by the company to tier-I suppliers find application in bumpers, instrument panels (IP), and trims of automobiles. The main end-user OEMs for MPL’s compounds are MSIL, HMIL, TML, Honda Motors Limited, and Mahindra & Mahindra Limited, etc.

¹ Net working capital/ Operating income

Key financial indicators (audited)

MPL – Consolidated	FY2023	FY2024	H1 FY2025*
Operating income	862.6	900.7	500.4
PAT	-20.2	40.0	33.3
OPBDIT/OI	0.4%	6.6%	8.0%
PAT/OI	-2.3%	4.4%	6.7%
Total outside liabilities/Tangible net worth (times)	2.5	1.5	1.2
Total debt/OPBDIT (times)	39.4	2.1	1.2
Interest coverage (times)	0.4	4.5	7.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional Numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current year (FY2025)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash Credit	Long term	48.50	January 29, 2025	[ICRA]A-(Stable)	October 16, 2023	[ICRA]BBB+(Stable)	November 22, 2022	[ICRA]A-(Stable)	-	-
			-	-	-	-	September 08, 2022	-	-	-
Non fund based – Letter of Credit	Short term	1.50	January 29, 2025	[ICRA]A2+	October 16, 2023	[ICRA]A2	November 22, 2022	[ICRA]A2+	-	-
			-	-	-	-	September 08, 2022	-	-	-
Fund based/Non fund-based Limits	Long term/Short term	145.00	January 29, 2025	[ICRA]A-(Stable)/[ICRA]A2+	October 16, 2023	[ICRA]BBB+(Stable)/[ICRA]A2	November 22, 2022	[ICRA]A-(Stable)/[ICRA]A2+	-	-
			-	-	-	-	September 08, 2022	-	-	-
Unallocated Limits	Long term/Short term	-	-	-	-	-	September 08, 2022	[ICRA]A-(Stable)/[ICRA]A2+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Cash Credit	Simple
Short-term – Non fund based – Letter of Credit	Very Simple
Long-term/Short-term – Fund based/Non fund-based Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based – Cash Credit	NA	NA	NA	48.50	[ICRA]A- (Stable)
NA	Non fund based – Letter of Credit	NA	NA	NA	1.50	[ICRA]A2+
NA	Fund based/Non fund-based Limits	NA	NA	NA	145.00	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company data

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	MPL's Ownership	Consolidation Approach
Artemis FZ LLC	100.00%	Full Consolidation
Comp Tech FZ LLC	100.00%	Full Consolidation

Source: Company data

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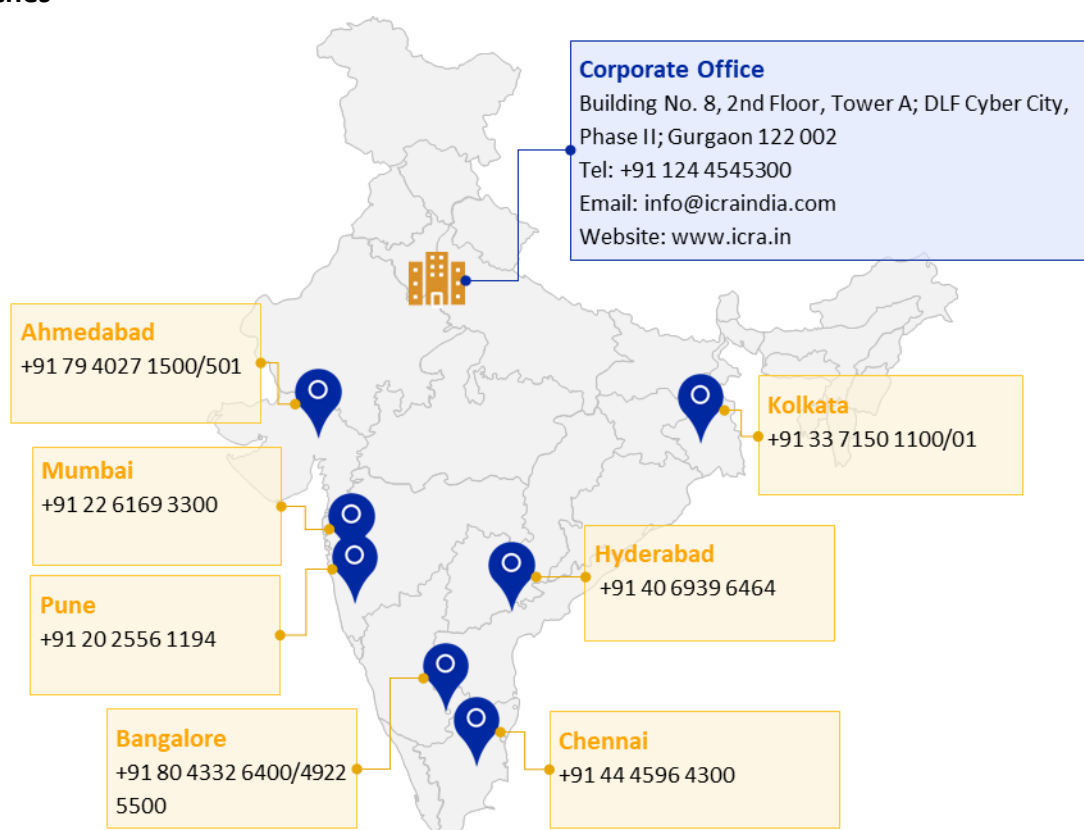
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