March 31, 2025

Magal Engg. Tech Private Limited: Ratings upgraded to [ICRA]BB+ (Stable)/[ICRA]A4+ and removed from Non-Cooperating category; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term Loan	19.63	20.58	Upgraded to [ICRA]BB+ (Stable) from [ICRA]B+(Stable) and removed from Issuer Not Cooperating Category; Assigned for enhanced limits
Long-term – Fund-based/CC	12.00	20.00	Upgraded to [ICRA]BB+ (Stable) from [ICRA]B+(Stable) and removed from Issuer Not Cooperating Category; Assigned for enhanced limits
Short-term – Fund-based (sub-limit of CC)	(5.00)	(5.00)	Upgraded to [ICRA]A4+ from [ICRA]A4 and removed from Issuer Not Cooperating Category
Short-term – Non-fund Based	1.02	1.02	Upgraded to [ICRA]A4+ from [ICRA]A4 and removed from Issuer Not Cooperating Category
Long-term – Unallocated	5.35	6.40	Upgraded to [ICRA]BB+ (Stable) from [ICRA]B+(Stable) and removed from Issuer Not Cooperating Category; Assigned for enhanced limits
Total	**38.00**	**48.00**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has upgraded and removed Magal Engg. Tech Private Limited's (METPL) ratings from the 'Issuer Not Cooperating' category as the company has now started cooperating based on fee.

The ratings on the bank lines of METPL consider its established relationship with reputed auto original equipment manufacturers (OEMs) such as Mahindra & Mahindra Limited (rated, [ICRA]AAA(Stable)/[ICRA]A1+), Tata Motors Limited (rated, [ICRA]AA+(Stable)/[ICRA]A1+), and Ashok Leyland Limited (rated, [ICRA]AA+(Stable)/[ICRA]A1+), among others. Also, METPL enjoys healthy financial flexibility for being a part of the KUN Group (which is an established dealer for Hyundai Motors India Limited in South India).

The company's revenue witnessed a healthy CAGR of 33.8% over the last three years on the back of robust order inflow from its key clients, given the strong demand for customers' products. Its operating income improved by 13% on an annualised basis to Rs. 128.6 crore in 9M FY2025, aided primarily by healthy orders from Mahindra & Mahindra Limited (M&M). The company is expected to record a 10-15% growth in FY2025 and FY2026, supported by demand pick-up and improvement in the share of business with its customers. However, the company's operating margins declined to 10.8% in 9M FY2025 from 14.2% in FY2024 owing to surge in commodity prices and increased employee expenses. The same are expected to be range bound at 10.5-11.5%, going forward. ICRA also expects METPL's debt metrics to improve over the medium term, in the absence of debt-funded capex plans.

The ratings are, however, constrained by METPL's modest revenues (despite the improvement) and vulnerability of the same to risks arising from the impending electrification of vehicles. Further, the company has high customer and segment concentration with its top customer, M&M, accounting for around 66% of its 9M FY2025 revenues and the passenger vehicle

(PV) segment accounting for 66% of METPL's revenues in 9M FY2025. The company has stretched liquidity with minimal buffer of Rs. 3.0 crore in working capital lines as on December 31, 2024. It has a repayment obligation of Rs. 1.9 crore in Q4 FY2025, Rs. 7.0 crore in FY2026 and capex of Rs. 4.0-7.0 crore in the next 12 months.

The Stable outlook on the long-term rating considers ICRA's opinion that METPL's earnings growth will be supported by healthy order inflow from its key customers, leading to improved credit profile.

Key rating drivers and their description

Credit strengths

Established relationships with reputed OEMs – The company has an established relationship with reputed auto OEMs such as Mahindra & Mahindra Limited (rated, [ICRA]AAA(Stable)/[ICRA]A1+), Tata Motors Limited (rated, [ICRA]AA+(Stable)/ [ICRA]A1+), and Ashok Leyland Limited (rated, [ICRA]AA+(Stable)/[ICRA]A1+), among others. Repeat orders from customers, including M&M, ensures revenue stability to an extent.

Financial flexibility from being a part of the KUN Group – The KUN Group, an established Hyundai Motor India Limited dealer, holds a 78.2% stake in the company through KUN Management Services Private Limited, KUN Auto Company Private Limited, KUN Motor Company Private Limited, KUN Commercial Vehicles Private Limited and the promoter, Mr. U Venkatesh. METPL enjoys healthy financial flexibility for being a part of the KUN Group.

Credit Challenges

Modest scale of operations; impending electrification of automotive industry may impact revenues – The company's revenues remain modest (operating income of Rs. 128.6 crore in 9M FY2025). Further, it derives around 50% of its revenues from connecting rods, which have minimal usage in electric vehicles (EVs). However, the anticipated EV penetration of only 10-15% of new vehicle sales in the PV segment by FY2030, mitigates the risk to an extent.

Customer concentration with M&M; segment concentration with PV – METPL has a high customer concentration risk with its top customer, M&M, accounting for around 57% and 65% of its revenue in FY2024 and 9M FY2025, respectively. Further, the PV segment constitutes 59% and 65% of METPL's FY2024 and 9M FY2025 revenues, respectively, resulting in segment concentration. However, METPL's reputed and established customer profile, mitigates the risk to an extent.

Moderate capex plans compared to anticipated accruals – METPL is expected to incur a capex of Rs. 15.0-20.0 crore in FY2025 (estimated) for capacity expansion and regular maintenance, funded through a term loan of Rs. 15.0 crore. Further, it has capex plans of Rs. 4.0-7.0 crore per annum during FY2026-FY2027 for regular maintenance. Given the size of the capex in relation to cash accruals, any moderation in the company's performance could impact its cash flows, and capitalisation and coverage metrics.

Liquidity – Stretched

The company's liquidity position is stretched with expected retained cash flow of Rs. 5-10 crore in the next twelve months, negligible free cash and bank balance of Rs. 0.35 crore as on December 31, 2024, and a buffer in its working capital limits of Rs. 3.0 crore as on January 31, 2025. Against these sources of funds, it has capex plans of Rs. 4-7 crore in the next 12 months and a repayment obligation of Rs. 1.9 crore for Q4 FY2025 and Rs. 7.0 crore in FY2026. In FY2025, the company has availed a term loan of Rs. 15 crore for its capex plans of Rs. 15-18 crore. While it has relatively high debt repayment obligations as a proportion of anticipated accruals, METPL's healthy financial flexibility for being a part of the KUN Group lends some comfort.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the rated entity.

About the company

With presence of over a decade, Magal Engg. Tech Private Limited has been manufacturing automotive components such as connecting rods, thermostats, jacks, cables and exhaust manifolds. In 10M FY2025, it derived 97% of its revenues from connecting rods and thermostats, and the remaining from jacks, cables and exhaust manifolds. Also, it has reasonable presence in exports, constituting 11% of its revenues. PVs constitute 66% of its sales with customers comprising Mahindra & Mahindra Limited, Tata Motors Limited, and Ashok Leyland Limited, among others. The company has a manufacturing facility at Oragadam, Chennai. The KUN Group (established dealer for Hyundai Motors India Limited in South India) holds a 78.2% stake in the company, while Magal Mauritius, UK, holds a 19.4%.

Key financial indicators (audited)

PCBL Consolidated	FY2023	FY2024	9M FY2025*
Operating income	144.4	151.9	128.6
PAT	7.8	9.4	6.2
OPBDIT/OI	12.2%	14.2%	10.8%
PAT/OI	5.4%	6.2%	4.8%
Total outside liabilities/Tangible net worth (times)	2.1	1.5	1.4
Total debt/OPBDIT (times)	1.9	1.1	1.5
Interest coverage (times)	4.9	6.5	6.2

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Mar 31, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based - Term Loan	Long Term	20.58	[ICRA]BB+ (Stable)	Mar 18, 2024	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	Mar 30, 2023	[ICRA]BB+ (Stable)	Dec 08, 2021	[ICRA]BB (Stable)
Fund based - CC	Long Term	20.00	[ICRA]BB+ (Stable)	Mar 18, 2024	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	Mar 30, 2023	[ICRA]BB+ (Stable)	Dec 08, 2021	[ICRA]BB (Stable)
Fund based (sub limit of CC)	Short term	(5.00)	[ICRA]A4+	Mar 18, 2024	[ICRA]A4; ISSUER NOT COOPERATING	Mar 30, 2023	[ICRA]A4+	Dec 08, 2021	[ICRA]A4
Non fund based	Short term	1.02	[ICRA]A4+	Mar 18, 2024	[ICRA]A4; ISSUER NOT COOPERATING	Mar 30, 2023	[ICRA]A4+	Dec 08, 2021	[ICRA]A4
Unallocated	Long Term	6.40	[ICRA]BB+ (Stable)	Mar 18, 2024	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	Mar 30, 2023	[ICRA]BB+ (Stable)	Dec 08, 2021	[ICRA]BB (Stable)

Note: Amounts in Rs. Crore

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long Term- Term Loan	Simple
Long Term- Fund based/CC	Simple
Short term – fund based (sub limit of CC)	Simple
Short term – Non fund based	Very Simple
Long Term – Unallocated	Not applicable

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, is available on ICRA's website: Click Here

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	**Term Loan-I**	FY2021	NA	FY2027	1.53	[ICRA]BB+ (Stable)
NA	**Term Loan-II**	FY2022	NA	FY2028	3.80	[ICRA]BB+ (Stable)
NA	**Term Loan-III**	FY2021	NA	FY2025	0.25	[ICRA]BB+ (Stable)
NA	**Term Loan-IV**	FY2025	NA	FY2030	15.00	[ICRA]BB+ (Stable)
NA	**Cash Credit**	NA	NA	NA	20.00	[ICRA]BB+ (Stable)
NA	**Fund based facilities**	NA	NA	NA	(5.00)	[ICRA]A4+
NA	**Non fund based**	NA	NA	NA	1.02	[ICRA]A4+
NA	**Unallocated**	NA	NA	NA	6.40	[ICRA]BB+ (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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