

May 12, 2025

Maxop Engineering Company Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based limits – Term Loan	202.80	498.15	[ICRA]A+ (Stable); reaffirmed/ assigned for enhanced amount
Long-term – Fund-based – Cash Credit	166.40	253.40	[ICRA]A+ (Stable); reaffirmed/ assigned for enhanced amount
Long-term/ Short-term – Unallocated	25.65	100.00	[ICRA]A+ (Stable)/ [ICRA]A1; reaffirmed/ assigned for enhanced amount
Total	394.85	851.55	

* Instrument details are provided in Annexure I

Rationale

The ratings action for Maxop Engineering Company Private Limited (MECPL) factors in its established position as a leading supplier in the aluminium automotive die casting components industry, supported by its established relationships and healthy share of business with major domestic and global automotive original equipment manufacturers (OEMs) and extensive experience of the promoters in the industry. The ratings also consider financial flexibility, managerial and operational support enjoyed by MECPL from its parent – Fairfax Financial Holdings Limited (Fairfax, which holds a 67% stake in the company through its step-down subsidiaries).

Since FY2020, the company's revenues have increased at a compounded annual growth rate (CAGR) of ~23% to ~Rs. 861.8 crore in FY2025 (provisional financials). Over the same period, its operating profit increased by ~26%, while the net profits surged by ~29%. The company has also been able to largely sustain its operating margins in the range of 18-22% over this period, supported by backward integrated nature of operations, increasing operating leverage and raw material price volatility pass-through arrangement with customers. The company also continues to maintain its healthy order book position with customers in the e-mobility and exports segment, which is expected to further support the revenue growth momentum and accrual generation over the near-to-medium term. As business has expanded, MECPL has been incurring capital expenditure (capex) towards expanding capacities (to support growth). Its capital allocation has been judicious, reflected in the company's return on capital employed (RoCE), which has remained healthy at 12-18% over this period.

To sustain its growth momentum, MECPL plans to undertake sizeable debt-funded capex of around Rs. 800-1,000 crore over FY2026-FY2028. This will be towards expanding manufacturing capacities for existing products and also venturing into new manufacturing capabilities such as higher-tonnage high pressure die casting (HPDC), low pressure die casting (LPDC), counter die casting (CPC) and aluminium profiles and extrusion-based products manufacturing. While this capex will lead to an increase in the company's debt level and some moderation in its debt protection metrics, they are expected to be durably maintained, commensurate with the existing rating. Expectation of higher cash flow generation and elongated repayment tenure (moratorium period of ~2 years) of the new term loans availed for funding the proposed capex is expected to result in comfortable debt coverage metrics, with DSCR above 2 times between FY2026 and FY2028. Nonetheless, timely commissioning of the new facilities and satisfactory ramp-up of operations will be monitored.

Additionally, the ratings are constrained by MECPL's moderate scale of operations relative to its peers in the industry, despite healthy revenue growth in the recent fiscals, and high working capital intensity of the business, driven by relatively high inventory and receivable period. MECPL's profitability remains exposed to fluctuations in key raw material prices, which is

mitigated to an extent through the raw material cost pass through with a lag of a quarter. As the major portion of the company's revenue comes from the automotive industry, especially the passenger vehicles (PV) segment, it remains susceptible to inherent cyclicity in the industry.

The Stable outlook on the rating reflects ICRA's expectations that the company will likely sustain its operating metrics, enabling it to report a steady growth in its revenues and earnings and maintain comfortable credit metrics.

Key rating drives and their description

Credit strengths

Financial flexibility as well as managerial and operational support from majority shareholder, Fairfax – The Fairfax Group holds a majority stake of 67% in MECPL through its Indian investment holding company, Fairfax India Holdings Corporation. Given Fairfax's successful track record of managing diverse businesses across the globe, MECPL enjoys strong financial flexibility as well as managerial and operational support from Fairfax. MECPL continues to ensure financial prudence through best practices and strong corporate governance standards, enhanced by the support of Fairfax, along with optimisation of its working capital cycle and increased focus on positive cash flow generation. Fairfax has two nominee directors on the board of MECPL.

Extensive track record and experience of its promoters in the aluminium casting business – Since commencing its commercial production in 2003, MECPL has been promoted by Mr. Shailesh Arora, who has an experience of over two decades in the aluminium die casting industry. MECPL has maintained a strong track record of operations through its five manufacturing units in Manesar (Haryana) and one in Jaipur (Rajasthan), with a total annual die casting capacity of ~42,000 MTPA and two backward integration units for alloy melting with an installed capacity of ~49,000 MTPA.

Established relationships and healthy share of business with customers – MECPL has an established and wide client base of leading domestic and global OEMs and tier-1 suppliers, including reputed players such as Maruti Suzuki India Limited (MSIL), Honda Motor Company, Groupe SEB, Regal, Paulstra, Valeo India Private Limited and Mitsubishi Electric, among others. The company has maintained a healthy share of business with its key customers, aided by its technological capabilities and diverse product profile of automotive components. In the recent fiscals, the company has increased its penetration in the electric vehicles (EV) segment, supported by its growing wallet share with a reputed global EV OEM and few tier-1 suppliers catering to EV OEMs in the domestic market.

Geographical diversification, given its presence in both domestic and export markets – MECPL has remained geographically well diversified with an established presence in both domestic and export markets. The share of exports in the total revenue increased to 52% in FY2025 from 48% in FY2024 with recovery in demand sentiments across the US and Europe, and addition of new customers. Going forward, growth is expected to be driven by relatively higher share in the export markets, aided by capacity expansions, growing wallet share with key customers in exports and widening customer bases.

Credit challenges

Moderate scale of operations – Despite a consistent healthy revenue growth in recent years, MECPL's scale of operations remains moderate, compared to other leading auto component manufacturers. The company's top 10 customers accounted for ~80% of its revenues in the recent fiscals, however, this moderated to 72% in FY2025 with addition of new customers. Given the ongoing capacity expansion of existing capabilities and diversification into new technologies, MECPL is expected to report a healthy growth momentum over the medium term, resulting in increasing economies of scale.

Sizeable debt funded capex to result in increase in leverage levels over the medium term – MECPL has plans of incurring sizeable debt-funded capex of Rs. 800-1,000 crore over the medium term, to sustain its growth momentum. The capex will be towards addition of higher tonnage HPDC capacities (1,600-2,500 MT against existing lines of 200-1,100 MT) and setting up of an aluminium extrusion manufacturing unit in Bhiwadi, Rajasthan; setting up incremental die casting capacities for EV and exports customers in Jaipur and expansion of existing capacities. While the company plans of incurring this sizeable capex over

the medium term, the same will be contingent upon satisfactory ramp-up of facilities being set up over the near term. Owing to this, the debt levels and debt protection metrics of the company are expected to moderate in the interim. However, higher cash flow generation, capitalisation of part interest costs of capex-related debt during the initial years and moratorium period of ~2 years on the debt repayment obligations are expected to result in comfortable debt coverage metrics, with expected DSCR of more than 2 times over FY2026-FY2028, in line with the past levels. Nonetheless, timely commissioning of the new facilities and satisfactory ramp-up of operations will remain a key monitorable.

High working capital intensity – The inventory cycle of the company remains high, given the integrated nature of manufacturing operations, relatively high transit time due to presence in the exports markets and wide variety of products manufactured through multiple facilities. Coupled with receivables cycle of 2-3 months, MECPL's working capital intensity, as reflected in net working capital / operating income (NWC/OI), has remained high at 27-30% in the recent years. The same is expected to remain at similar levels, going forward, due to higher funding requirements on an increasing revenue base.

Exposed to raw material price volatility and cyclicity inherent in the automotive sector – MECPL's profitability remains susceptible to fluctuations in the price of its key raw material, aluminium. However, the raw material price increase pass-through mechanism with a lag of a quarter with its customers, largely mitigates the risk. The same has partly led the company to sustain its healthy OPM over the years. However, there could be a temporary impact on margins from any adverse volatility in prices. Also, given that the major portion of revenue for the company is concentrated in the automotive industry, especially passenger vehicles segment, it remains susceptible to the inherent cyclicity in the industry.

Liquidity position: Adequate

MECPL's liquidity position is **adequate**, supported by unencumbered cash/bank balances of ~Rs. 12 crore and undrawn working capital limits of ~Rs. 88 crore as on March 31, 2025. The company has debt repayment obligations of Rs. 40-50 crore p.a. over FY2026 and FY2027, which can be comfortably serviced through its steady internal accrual generation. However, MECPL has plans of incurring sizeable debt-funded capex over the medium term, which is expected to elevate the leverage levels and increase debt repayment obligations to Rs. 70-80 crore p.a. beyond FY2028. However, steady internal accrual generation, capitalisation of interest costs in the initial years and moratorium of two years on the debt repayments is expected to result in comfortable debt coverage metrics over the near-to-medium term.

Rating sensitivities

Positive factors – ICRA could upgrade MECPL's ratings, if the company reports healthy revenue growth and internal accrual generation, resulting in strengthening of its debt protection metrics and liquidity profile. A specific credit metric that could result in an upgrade is if Total Debt/OPBDITA is less than 1.5 times, on a sustained basis.

Negative factors – Pressure on MECPL's ratings could arise if a considerable decline in cash flow from operations or higher-than-anticipated debt-funded capex, result in weakening of the company's credit metrics and liquidity position. Specific credit metrics that could lead to ratings downgrade include DSCR below 2.0 times on a sustained basis. Any signs of the weakening of financial flexibility, which the company enjoys from Fairfax, may also result in a downgrade of the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto component
Parent/Group support	Not applicable.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of MECPL. As on March 31, 2025, the company had two subsidiaries, which are enlisted in Annexure II.

About the company

MECPL commenced commercial production in 2003 and is involved in manufacturing aluminium alloy, precision HPDC and gravity die castings (GDC) components, which find applications in automotive and non-automotive industries. The company has been promoted by Mr. Shailesh Arora, who currently holds a 33% stake with a majority (67%) stake held by Fairfax India (a part of the Fairfax Financial Holdings Group). Fairfax India had acquired a 51% stake in MECPL in November 2021, which was subsequently increased to 67% in September 2022. MECPL operates from its manufacturing units in Manesar (Haryana) and Jaipur (Rajasthan).

Key financial indicators (audited)

MECPL – Consolidated	FY2024	FY2025*
Operating income	711.7	861.8
PAT	52.4	69.5
OPBDIT/OI	21.5%	21.1%
PAT/OI	7.4%	8.1%
Total outside liabilities/Tangible net worth (times)	1.4	1.3
Total debt/OPBDIT (times)	2.4	2.3
Interest coverage (times)	6.2	6.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; *Provisional; 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	Type	Current rating (FY2026)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long term	498.15	12-May-2025	[ICRA]A+ (Stable)	05 April 2024	[ICRA]A+ (Stable)	-	-	20 Mar 2023	[ICRA]A+ (Stable)
Fund based – Cash Credit	Long term	253.40	12-May-2025	[ICRA]A+ (Stable)	05 April 2024	[ICRA]A+ (Stable)	-	-	20 Mar 2023	[ICRA]A+ (Stable)
Unallocated	Long term/ Short Term	100.00	12-May-2025	[ICRA]A+ (Stable)/ [ICRA]A1	05 April 2024	[ICRA]A+ (Stable)/ [ICRA]A1	-	-	20 Mar 2023	[ICRA]A+ (Stable)/ [ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based limits – Term loan	Simple
Long-term – Fund-based limits – Cash Credit	Simple
Long-term/ Short-term – Unallocated	NA

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	Long-term – Fund-based limits – Term loan	FY2022-FY2025	6.50-9.00%	FY2027-FY2033	498.15	[ICRA]A+ (Stable)
NA	Long-term – Fund-based limits – Cash Credit	-	-	-	253.40	[ICRA]A+ (Stable)
NA	Long term/Short term - Unallocated	NA	NA	NA	100.00	[ICRA]A+ (Stable)/[ICRA]A1

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	Ownership	Consolidation Approach
Maxop Synergies Private Limited	100.00%	Full Consolidation
Maxop Engineering USA Inc.	100.00%	Full Consolidation

Source: Company

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Kinjal Shah

+91 022 6114 3442

kinjal.shah@icraindia.com

Deepak Jotwani

+91 124 4545 870

deepak.jotwani@icraindia.com

Charvi Sagar

+91 124 4545 373

charvi.sagar@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIESs

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.