May 21, 2025

Chromewell Engineering Private Limited: Ratings downgraded to [ICRA]BBB- (Negative)/[ICRA]A3; outlook revised to Negative from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based/ Non-fund Based	54.00	49.00	[ICRA]BBB-/ [ICRA]A3; downgraded from [ICRA]BBB/ [ICRA]A3+ and outlook revised to Negative from Stable
Non-fund based	6.75	6.75	[ICRA]A3; downgraded from [ICRA]A3+
Term loans	50.20	55.34	[ICRA]BBB-; downgraded from [ICRA]BBB and outlook revised to Negative from Stable
Unallocated	1.05	0.91	[ICRA]BBB-/ [ICRA]A3; downgraded from [ICRA]BBB/ [ICRA]A3+ and outlook revised to Negative from Stable
Total	**112.00**	**112.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings downgrade and revision in outlook on the long-term rating to Negative reflect the weakening and continued pressure on the credit profile of Chromewell Engineering Private Limited (CEPL), amid decline in revenue and earnings and elevated debt levels. In contrast to ICRA's YoY revenue growth expectation of 10-13% in FY2025, CEPL witnessed a decline of 4.7% to Rs. 259.8 crore, primarily due to lower offtake from its key customer - John Deere (JD). The reduced offtake by JD was partly driven by prevailing global macroeconomic uncertainty, in addition to the relocation of its manufacturing facilities to Mexico. This also resulted in a sub-optimal ramp-up in the company's newly commissioned facility at Pune. As a result of the decline in overall scale and operating revenue, mainly caused by lower exports that are more margin accretive, CEPL's operating margins contracted to 4.7% in FY2025 from 9.7% in FY2024.

ICRA had expected increased reliance on debt, given that the company was planning to undertake an equity share buyback in H1 FY2025. However, the overall debt levels have been higher due to lower earnings and an increase in the receivable cycle. Such factors led to a weakening of the company's capital structure and debt protection metrics. The company's ability to demonstrate an improvement in its revenue and earnings, amid relatively lower demand in the export market and improve its liquidity position through optimisation of the working capital cycle and/or long-term fund infusion, will remain key monitorable.

The ratings are also constrained by CEPL's moderate profit margins owing to the industry's high competitive intensity, the limited value addition with high reliance on bought-out components and the relatively limited economies of scale. Further, CEPL's profitability also remains vulnerable to foreign currency fluctuation risk as it generates ~45-50% of its revenue from exports. While the company does not have a firm hedging policy, it continues to evaluate the feasibility of hedging its forex exposure on a regular basis. The company's revenue generation also remains vulnerable to the inherent cyclicality of the tractor industry, which is exposed to demand fluctuations with sensitivity to monsoons, farmer sentiment and inherent cyclicality in the construction industry.

However, the ratings continue to draw comfort from CEPL's established operational track record and its promoter's extensive experience of several decades in the sheet metal stamping and component fabrication business for tractors and other off-highway vehicles. Over the years, the company has developed a strong customer base, which includes reputed names such as

John Deere India Private Limited (JDIPL), other John Deere units in the US, Europe and other countries, JCB India Limited, and Tafe Motors & Tractors Limited (TMTL), among others, ensuring repeat business. Moreover, CEPL's presence in two key business segments, as well as a healthy contribution from exports, results in diversification of the company's revenue stream.

Key rating drivers and their description

Credit strengths

Extensive track record of CEPL in sheet metal business and established relationship with the JD Group – Incorporated in 1958, CEPL has a long track record of manufacturing sheet metal components for tractors and other off-highway vehicles. At present, CEPL is headed by Mr. Sanjay Kapoor, who has over three decades of experience in this business and is supported by a qualified and experienced management team. Over the years, the company has established a strong relationship with its key client, the JD Group, from which it derives a sizeable part of its revenue in both domestic and export markets. Further, CEPL is the sole supplier for various components of the OEM's upcoming models, a testimony to their strong relationship.

Diversified revenue stream with presence in two business segments as well as in export markets – CEPL has a diversified business profile owing to its presence in agricultural equipment (tractors), and construction and forestry equipment (excavators and others). Its sales in the agricultural equipment division account for 60-65% of its revenue, while the rest is contributed by the construction and forestry equipment division. Moreover, CEPL has a healthy presence in export markets with 45-50% of its revenue generated from exports and some contribution in the form of indirect exports through its domestic customers.

Credit challenges

Deterioration in capital structure and coverage indicators due to elevated debt levels and moderate accrual generation – The company's operating revenue witnessed YoY decline of 4.7% in FY2025 compared to ICRA's YoY revenue growth expectation of 10-13%, mainly due to lower offtake from its key customer - John Deere (JD). The decline in operating revenue led to a contraction in operating margins to 4.7% in FY2025 from 9.7% in FY2024. This lower reserve accretion amid the elevated capex programme, equity buyback payouts and high repayment obligations increased the company's reliance on external funding, impacting leverage and coverage indicators, as reflected by the total debt/OPBITDA of 6.6 times in FY2025 (1.3 times in FY2024) and interest coverage of 3.7 times in FY2025 (8.1 times in FY2024).

Moderate profitability due to limited value addition in the business – CEPL derives major portion of its revenue from sheet metal fabrication of components, which entails limited value addition due to high dependence on bought-out components. Further, a highly competitive industry and limited economies of scale led to moderate profitability indicators. In FY2025, CEPL witnessed a decline in volumes, particularly margin-accretive exports, which resulted in lower operating margins of 4.7% compared to 9.7% in FY2024. Additionally, high interest costs owing to increased leverage levels and one-time tax payouts with respect to the buyback led to further moderation in net profits in FY2025. Nonetheless, with the company's efforts to enhance its level of backward integration and gradual uptick in operations anticipated in the latter half of FY2026, ICRA expects margins to improve going forward.

Sizeable revenue dependence on JD Group, though the same is diversified across geographies and segments – CEPL derives ~80% (~45–50% from the Indian entity, John Deere India Private Limited, and ~35-40% from exports to various JD Group units) of its total revenues from the JD Group, highlighting its sizeable dependence on the Group. This has also been demonstrated by the moderation in CEPL's revenue in recent years due to lower offtake from JD. However, the established association of more than two decades, along with a considerable diversification of its sales to the JD Group, provides some comfort. Nonetheless, the company is focused on diversifying its customer base over the medium term by adding new customers.

Revenue vulnerable to inherent cyclicality in tractor and construction industries; exposed to forex risk – CEPL is exposed to the inherent demand cyclicality of the tractor and construction equipment industry. Further, the tractor industry is also exposed to demand fluctuations, with sensitivity to monsoons and farmer sentiments. Moreover, CEPL is exposed to foreign currency fluctuation risk as it generates 45-50% of its revenue from exports. While the company does not have a firm hedging policy, it continues to evaluate the feasibility of hedging its forex exposure on a regular basis.

Liquidity position: Stretched

CEPL's liquidity is stretched, owing to a decline in cash and bank balance following buyback payouts, lower internal accruals due to revenue decline resulting in lower margins, and high working capital utilisation owing to higher repayment obligations, capex and an increase in receivable days. The company has a cushion of ~Rs. 12.9 crore in the form of unutilised working capital as limits on April 30, 2025, against debt repayments and capex of ~Rs. 12 crore and ~Rs. 10 crore in FY2026 and ~Rs. 14.5 crore and ~Rs. 2.5 crore in FY2027, respectively.

Rating sensitivities

Positive factors – ICRA could revise the rating outlook to Stable if the company is able to stem the declining revenues and profits, as well as improve its cash flow position and debt protection metrics.

Negative factors – ICRA could downgrade CEPL's ratings in case of lower than anticipated scale-up in revenues and/or profitability, resulting in a further decline in earnings. Moreover, a higher-than-anticipated stretch of the working capital cycle, further impacting liquidity, could also exert pressure on the company's rating. Specific credit metrics that could lead to a rating downgrade include total debt/OPBDITA of more than 3.0 times on a sustained basis.

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 CEPL.

About the company

Founded by Mr. I. R. Kapoor in 1958, CEPL started off as an electroplating unit in Mumbai. In 1960, the company diversified into sheet metal components, specialising in sheet metal stampings, deep draw and fabrications, catering to the automobile and off-road vehicle sector, including safety-related parts and is a supplier to leading MNCs and domestic manufacturers. With manufacturing plants in Pune and Dewas, the company primarily serves two product divisions - agricultural equipment (tractors) and construction and forestry equipment (excavators and others).

Key financial indicators (audited)

CEPL – Standalone	FY2024	FY2025*
Operating income	272.6	259.8
PAT	13.6	0.8
OPBDIT/OI	9.7%	4.7%
PAT/OI	5.0%	0.3%
Total outside liabilities/Tangible net worth (times)	0.9	1.7
Total debt/OPBDIT (times)	1.3	6.6
Interest coverage (times)	8.1	3.7

*Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore; *Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs. crore)	May 21, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based/Non fund based	Long term/Short term	49.00	**[ICRA]BBB- (Negative)/ [ICRA]A3**	Sept, 26, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	Jul 6, 2023	[ICRA]BBB (Stable)/ [ICRA]A3+	Jun 13, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+
Non fund based	Short term	6.75	**[ICRA]A3**	Sept, 26, 2024	[ICRA]A3+	Jul 6, 2023	[ICRA]A3+	Jun 13, 2022	[ICRA]A3+
Term loan	Long term	55.34	**[ICRA]BBB- (Negative)**	Sept, 26, 2024	[ICRA]BBB (Stable)	Jul 6, 2023	[ICRA]BBB (Stable)	Jun 13, 2022	[ICRA]BBB (Stable)
Unallocated	Long term/Short term	0.91	**[ICRA]BBB- (Negative)/ [ICRA]A3**	Sept, 26, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	Jul 6, 2023	[ICRA]BBB (Stable)/ [ICRA]A3+	Jun 13, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based/ Non-fund based limits	Simple
Non-fund based limits	Very simple
Term loans	Simple
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	Fund based/Non-fund based limits	-	-	-	49.00	[ICRA]BBB- (Negative)/ [ICRA]A3
NA	Non-fund based limits	-	-	-	6.75	[ICRA]A3
NA	Term loan	FY2022-24	9.0-10%	FY2028-30	55.34	[ICRA]BBB- (Negative)
NA	Unallocated	-	-	-	0.91	[ICRA]BBB- (Negative)/ [ICRA]A3

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.

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.

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