

January 31, 2025

Purflux Engine Systems India Private Limited (Erstwhile SOGEFI Engine Systems India Private Limited): Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|------------------------------------|--------------------------------------|-------------------------------------|---|
| Long-term– Interchangeable (CC)^ | (15.00) | - | - |
| Short-term – Fund based | 30.00 | - | - |
| Short-term – Interchangeable (LC)^ | (5.00) | - | - |
| Long Term/Short term – Unallocated | 0.00 | 30.00 | [ICRA]A+ (Stable)/[ICRA]A1+; reaffirmed |
| Total | 30.00 | 30.00 | |

*Instrument details are provided in Annexure I; ^interchangeable with short-term fund-based facilities

Rationale

The ratings outstanding on the bank lines of Purflux Engine Systems India Private Limited (PESIPL/the company/erstwhile SOGEFI Engine Systems India Private Limited) consider ICRA's expectation of a sustained financial performance in the near to medium term, supported by its established position, strong debt metrics and liquidity, and healthy margins. PESIPL is an established tier-I auto component supplier filtration and air & cooling products including automotive filters, tools and prototypes, manifolds, water pumps, thermostats to name a few. The company's customers include leading auto Original Equipment Manufacturers (OEMs), such as Mahindra and Mahindra Limited, Maruti Suzuki India Limited, Tata Motors Limited, TVS Motors Limited, Hero Moto Corp Limited, Bajaj Auto Limited among others. It has been associated with most of these customers for more than two decades and receives incremental orders periodically. The company reported healthy revenue growth of 11.4% YoY in FY2024 and 10.2% on an annualised basis in H1 FY2025, aided primarily by higher orders from existing customers. Its operating margins continue to be healthy with PESIPL reporting 16.5% in FY2024 and 18.0% in H1 FY2025, supported by its relatively high value addition. The company has remained net debt negative in the last several years, supported by its healthy accruals, modest capex and low working capital intensity. This has resulted in strong capital structure and coverage metrics. The debt metrics are expected to remain strong going forward as well, with healthy anticipated operating cash flows and absence of debt-funded capex plans. The liquidity position has remained strong supported by business cash flows and steady cash balances at upwards of Rs. 20 crore, and this is likely to continue going forward as well.

The ratings are, however, constrained by vulnerability of the company's revenues over the medium to long-term owing to risks arising from potential electrification of automobiles. Nevertheless, the company's significant presence in passenger vehicles (PVs), where the penetration of electric vehicles (EVs) is expected to be relatively less over the medium term, mitigate the risk to a large extent. Further, multiple powertrains are likely to co-exist across vehicle categories and the company is working on new product developments. About 70% of the company's revenues are derived from the domestic passenger vehicle segment, thereby making its revenues susceptible to any demand slowdown in the segment. Also, the company witness competition from other established players in the filtration and air & cooling segment. The company has had sizeable dividend payouts historically, with Rs. 66 crore in FY2023 and Rs. 102 crore in FY2024. However, the company's strong liquidity position and absence of debt in its books mitigate the risk to a large extent. ICRA would continue to monitor for any significant dividend payments that may have a material impact on the company's cash flows and liquidity profile, going forward.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile and debt metrics, supported by its healthy business profile, strong liquidity and absence of debt-funded capex plans going forward.

Key rating drivers and their description

Credit strengths

Strong coverage metrics and capital structure; strong liquidity – The company has remained net debt negative in the last several years, supported by its healthy accruals, modest capex and low working capital intensity. This has resulted in strong capital structure and coverage metrics. The debt metrics are expected to remain strong going forward as well, with healthy anticipated operating cash flows and absence of debt-funded capex plans. The liquidity position has remained strong supported by business cash flows and steady cash balances at upwards of Rs. 20 crore, and this is likely to continue going forward as well.

Healthy revenue growth and profit margins – The company reported healthy revenue growth of 11.4% YoY in FY2024 and 10.2% on an annualised basis in H1 FY2025, aided primarily by higher orders from existing customers. Its operating margins continue to be healthy as well, with PESIPL reporting 16.5% in FY2024 and 18.0% in H1 FY2025, supported by its relatively high value addition. The company's margins and accruals are expected to remain healthy going forward as well.

Established relationships with reputed automobile OEMs – PESIPL is an established tier-I auto component supplier filtration and air & cooling products including automotive filters, tools and prototypes, manifolds, water pumps, thermostats to name a few. The company's customers include leading auto Original Equipment Manufacturers (OEMs), such as Mahindra and Mahindra Limited, Maruti Suzuki India Limited, Tata Motors Limited, TVS Motors Limited, Hero Moto Corp Limited, Bajaj Auto Limited among others. It has been associated with most of these customers for more than two decades and receives incremental orders periodically. This is likely to continue going forward as well.

Credit challenges

Impending electrification of automotive industry may impact revenues – The move towards electrification of automobiles could impact the company's revenues over the medium to long-term owing to non-usage of its products in electric vehicles. However, the company's significant presence in PVs, where the penetration of EVs is expected to be relatively less over the medium term, mitigate the risk to a large extent. Further, multiple powertrains are likely to co-exist across vehicle categories and the company is working on new product developments.

History of sizeable dividend payouts – The company has had sizeable dividend payouts historically, with Rs. 66 crore in FY2023 and Rs. 102 crore in FY2024. The dividend payouts have been relatively high as a percentage of profits after tax. However, the company's strong liquidity position and absence of debt in its books, despite the sizeable dividend payouts mitigate the risk to a large extent. ICRA would continue to monitor for any significant dividend payments that may have a material impact on the company's cash flows and liquidity profile, going forward.

Segment concentration with PVs; moderate level of competition from other filter and manifold manufacturers – About 70% of the company's revenues are derived from the domestic passenger vehicle segment, thereby making its revenues susceptible to any demand slowdown in the segment. Also, the company witnesses competition from other established players in the filtration and air & cooling segment. However, its established position, periodic introduction of new products, its relatively high value addition, and safety criticality of products and consequently longer development cycles, mitigate competitive risks to an extent.

Liquidity position: Strong

PESIPL's liquidity position is strong, supported by healthy anticipated cash flows from the business and anticipated free cash balance and bank balances of over Rs. 20 crore going forward (was ~Rs. 49 crore as of December 31, 2024). As against these sources of cash, the company has modest capex plans of Rs. 30.0 crore per annum for FY2025 – FY2027, for regular capex and capacity enhancements on need basis, to be funded by internal accruals. The company does not have repayment obligations as it is debt-free currently and does not envisage incremental borrowings as well going forward. ICRA expects PESIPL's liquidity

profile to remain strong over the medium term. ICRA would continue to monitor for any significant dividend payouts that may have a material impact on the company's liquidity position.

Rating sensitivities

Positive factors – ICRA may upgrade the company's long-term rating if there is significant increase in the scale of operations with diversification of products, leading to improvement in PESIPL's profitability, cash flows and liquidity position, on a sustained basis.

Negative factors – Pressure on the ratings may arise if there is sustained decline in the sales volumes and/or realisations adversely impacting its profitability and return indicators. A specific credit metric for a downgrade is weakening of Total Debt/OPBDITA to greater than 1.5 times on a sustained basis. The ratings also may be downgraded if the company's liquidity profile weakens because of sizeable dividend outflow or any large debt-funded capex.

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 PESIPL. |

About the company

Purflux Engine Systems India Private Limited (PESIPL/the company) is a tier-I auto component supplier, engaged in manufacturing of automotive filtration and air & cooling products including automotive filters, tools and prototypes, manifolds, water pumps, thermostats to name a few. The company derives its sales largely from the domestic segment. About 70% of its sales in FY2024 was from the domestic PV segment, while the remaining was from the 2W segment. About 17% of sales came from OE spares. The company has three manufacturing units - two in Bangalore and one in Pune. The company is currently owned by Purflux Group, which in turn is held by Pacific Avenue Capital Partners. Until April 18, 2024, it was owned by SOGEFI Group, Italy.

Key financial indicators (Audited)

| | FY2023 | FY2024 |
|--|--------|--------|
| Operating income | 793.0 | 883.7 |
| PAT | 91.2 | 88.3 |
| OPBDIT/OI | 16.6% | 16.5% |
| PAT/OI | 11.5% | 10.0% |
| Total outside liabilities/Tangible net worth (times) | 0.7 | 0.7 |
| Total debt/OPBDIT (times) | 0.0 | 0.0 |
| Interest coverage (times) | NA | NA |

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore
Note: Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances.

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 | |
|---|---|-------------------------|--------------------------|-----------------------------|-------------------------|---|-------------------------|
| | | Type | Amount rated (Rs. crore) | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 |
| | | | | Jan 31, 2025 | Oct 04, 2023 | Jul 29, 2022 | Apr 12, 2021 |
| 1 | Interchangeable (CC) | Long-term | - | - | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Positive) |
| 2 | Fund Based | Short-term | - | - | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 3 | Interchangeable (LC- Sub Limit of WCDL) | Short-term | - | - | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 4 | Unallocated | Long-term/short term | 30.0 | [ICRA]A+ (Stable)/[ICRA]A1+ | | | |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|------------------------------------|----------------------|
| Long Term/Short 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 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/Short term – Unallocated | NA | NA | NA | 30.00 | [ICRA]A+ (Stable)/[ICRA]A1+ |

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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