

Ferromatik Milacron India Private Limited

Instrument	Amount Rated	Rating Action
Long Term – Fund based	Rs 24.00 crore	[ICRA]A (Stable) reaffirmed
Short Term – Non Fund Based	Rs 20.00 crore	[ICRA]A1 reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]A (pronounced ICRA A) on the Rs 24.00 crore long term fund based limits of Ferromatik Milacron India Private Limited (FMIPL)¹. ICRA has also reaffirmed the [ICRA]A1 (pronounced as ICRA A one) rating to the Rs 20.00 crore short term limits of FMIPL. The outlook on the long-term rating is 'Stable'.

Rating Rationale

The ratings continue to factor in the strong market position of the company in the injection moulding machine segment, its track record of profitable operations and a conservative capital structure. While the strengthening of presence in export markets provides geographical diversification of revenues and allows better utilization of manufacturing facilities, it also exposes the company's profitability to unfavourable foreign currency movements owing to long production cycle and credit period offered after shipment of machines. Nonetheless, the risk is partly mitigated by way of natural hedge offered by imports coupled with use of forward contracts. The ratings also continue to factor in the debt-free capital structure of the company; healthy cash generation has allowed the company to meet its capex requirements from its own internal accruals in the past.

The ratings are however constrained by the large distribution payouts over the last few years to the parent company and the highly competitive business environment in which the company operates as well as the cyclicity of the project capital expenditure in its end user industries. The company's operations are exposed to competition from cheap imports from China and South-East Asia, though the current Anti Dumping Duty on imports from China, Vietnam, Philippines, Malaysia and Taiwan acts as a protective factor. ICRA also notes that FMIPL's product portfolio is largely dependent on the capex cycles of end user industries and thus, revenue growth remains dependent on the cyclicity of the project capex in these industries as well as ability to scale up the volumes in non-regular segments like medical components, electrical & electronics, industrial components. ICRA further notes that the company is currently nearing the completion of an expansion programme and successful ramp up of volumes from the same would be critical for future revenue growth. ICRA notes that the company has been having high distribution payouts (dividend in FY 2013, 2014 and FY 2015; share buyback in FY 2017) to its parent company – Milacron Inc over the last three years, however, the same has not affected FMIPL's financial flexibility till date, despite it being in the midst of a capex plan. Going forward, any material financial support extended to its parent company through declaration of dividends/ buybacks/extension of loans & advances that lower FMIPL's financial flexibility will be a key rating sensitivity.

Company Profile

Founded in 1995, Ferromatik Milacron India Private Limited (FMIPL) was set up as a joint venture between Milacron LLC, USA (erstwhile Milacron Inc, USA) and Mr. Mahendra Patel for manufacturing moulding machines, as an import substitute product. Starting with a 51% holding initially, Milacron LLC has increased its holding in the company over the years, and in FY 2011, FMIPL became a 100% subsidiary of the company in India. FMIPL has an installed capacity of producing around 1500 moulding machines per annum and the manufacturing facilities are located at GIDC, Vatva, Ahmedabad.

Recent Results

For the year ended March 31, 2016, the company reported an operating income of Rs 718 crore and profit after tax of Rs 76 crore as against an operating income of Rs 646 crore and profit after tax of Rs 59 crore for the financial year 2014-15.

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¹ For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications



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