Machino Plastics Limited

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29th January, 2025

The BSE Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai-400001
corp.relations@bseindia.com
Security Code No. : 523248

Subject: Intimation of Credit Rating(s) pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that ICRA Limited has assigned the rating of the Company dated 28th January, 2025 and the same is received by the Company dated 28th January, 2025.

Instrument	Amount (Rs In crore)	Rating Action
Long-term – Fund-based Limits – Term Loan	162.20	[ICRA]BBB- (Stable); assigned
Long-term – Fund-based Limits – Cash Credits	25.00	[ICRA]BBB- (Stable); assigned
Long-term/ Short-term – Non-Fund-based Limits – LC/BG	5.00	[ICRA]BBB- (Stable)/[ICRA]A3; assigned
Long-term/ Short-term – Unallocated	0.80	[ICRA]BBB- (Stable)/[ICRA]A3; assigned
Total	**193.00**	

The rating letter received from ICRA is enclosed.
This is for your kind information and record.

Thanking You,

Yours faithfully
For **Machino Plastics Limited**

REETIKA PANT

Digitally signed by REETIKA PANT
Date: 2025.01.29 12:36:59 +05'30'

Reetika Pant
Company Secretary

January 28, 2025

Machino Plastics Limited: [ICRA]BBB- (Stable)/ [ICRA]A3; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based Limits – Term Loan	162.20	[ICRA]BBB- (Stable); assigned
Long-term – Fund-based Limits – Cash Credit	25.00	[ICRA]BBB- (Stable); assigned
Long-term/ Short-term – Non-fund-based Limits – LC/BG	5.00	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
Long-term/ Short-term – Unallocated	0.80	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
Total	**193.00**	

Instrument details are provided in Annexure-I

Rationale

The assigned ratings for Machino Plastics Limited (MPL) factor in its established operational track record and extensive experience of its promoters in the automotive plastic injection moulding business. The company was set-up as a joint venture (JV) between Maruti Suzuki India Limited (MSIL) and Suzuki Motor Corporation, Japan (SMC), resulting in an established business position and single source supplier status with MSIL over the years. MPL's strong manufacturing base, diverse product range and healthy customer base of reputed automotive original equipment manufacturers (OEMs) and tier-1 suppliers, with whom it shares a healthy share of business, have resulted in repeat order inflow over the years. Also, its manufacturing plants being in proximity to MSIL's manufacturing units in northern India has led to logistics benefits to the company. Given the nature of its customers, MPL enjoys timely payments and an efficient inventory period mechanism with its customers, resulting in moderate working capital intensity. Going forward, the company is expected to report healthy scale up in volumes, driven by ongoing capacity expansion and repeat business from its customers.

However, the ratings are constrained by MPL's moderate financial risk profile marked by modest net-worth base and reliance on external borrowing to fund its business/ expansion plans. The company is undertaking sizeable debt-funded capex plans for its upcoming facility in IMT Kharkhoda, Haryana, which is expected to result in moderation of its debt protection metrics over the near term. Given that MSIL's upcoming plant is also expected to commence operations in FY2026, this is likely to support in healthy scale up from the company's new unit from FY2026. Further, MPL's profit margins are exposed to volatility in prices of key raw materials. Although there is a provision of raw material cost pass-through with a lag of a quarter with most of its customers, it exposes the company to price volatility in the interim period. MPL is also exposed to high customer concentration risks as its top customer, MSIL, accounts for ~84% of its revenue. However, the same is mitigated to an extent due to the length of its relationship with MSIL and a 100% share of business with it. Also, given that most of the company's earnings are generated from the automotive sector, especially passenger vehicles (PVs), it remains susceptible to the cyclicality inherent in the industry.

The Stable outlook on MPL's long-term rating reflects ICRA's opinion that the company will continue to benefit from its enduring relations with its key customers and expected scale up of operations at the upcoming facility.

Key rating drivers and their description

Credit strengths

Established track record of operations and extensive experience of promoters in the automotive plastics injection moulding industry – Incorporated in 1986, MPL has established itself as a prominent manufacturer of automotive plastic-based components, especially dashboards and bumpers. This has been supported by its strong positioning with MSIL, with the company also being a JV between MSIL and SMC. The company has been promoted by the Jindal family, who have an extensive experience of more than three decades in the automotive plastic injection moulding business.

Customer base includes reputed OEMs with healthy share of business – Over the years, MPL has developed a wide customer base of reputed OEMs and tier-1 suppliers in the domestic market such as MSIL, VE Commercial Vehicles Ltd., Lumax Industries Ltd., and Valeo Motherson, among others. However, the company's revenues are largely driven by MSIL, with whom it also enjoys single source supplier status for its products. Additionally, MPL maintains a healthy share of business with its key customers, which has also supported its revenue growth over the years.

Moderate working capital intensity – MPL has an integrated production arrangement, with its manufacturing units being in proximity to its key customers' plants, resulting in logistics benefits for the company. Moreover, timely payment cycles from its customers and an inventory period of 50-60 days have led to a moderate working capital intensity, as reflected by NWC/OI[1] at 10-11% in recent years. The same is expected to remain at a similar level, going forward, owing to steady increase in scale of business. Additionally, MPL funds its working capital requirements through a mix of external borrowings and internal accruals.

Credit challenges

Moderate financial risk profile; sizeable ongoing debt-funded capex is expected to result in moderation in debt protection metrics – MPL's financial risk profile is moderate, marked by a modest net-worth base of Rs. 44.8 crore as of March 31, 2024, and relatively high reliance on external borrowings to fund its business plans. The company is in the process of setting up its third manufacturing unit at IMT Kharkhoda, at a proposed project cost of Rs. 125 crore, to be funded by an Rs. 85-crore term loan (sanctioned from Bank of India) and the rest from internal accruals. Given that a large part of the debt for this capex will be availed in the current fiscal, the company's debt protection metrics are likely to remain moderated for FY2025-FY2026. While the facility is expected to commence commercial operations by mid FY2026, MPL's ability to achieve the same without any material time or cost overruns will remain key monitorables. Also, steady ramp up of operations is likely to support the improvement in MPL's credit metrics over the medium term.

High customer concentration risk with MSIL driving majority of sales – MPL faces high customer client concentration risk with its top customer, MSIL driving ~84% of its revenues in recent years. The company's business performance is, thus, vulnerable to the performance and market share of its key client. However, in view of the healthy market share of MSIL in the PV segment and single source supplier status of its products with the OEM, the risk is mitigated to a large extent. Additionally, the company focuses on adding new customers and increasing supplies to segments other than PVs, which provide some comfort.

Profitability exposed to fluctuations in raw material prices – MPL's profitability remains vulnerable to fluctuations in prices of its key raw material, which are polypropylene, iron and steel. However, it has a raw material price increase pass-through mechanism with its customers, which comes with a lag of a quarter. This has resulted in mitigating such risks for the company and enabling it to largely sustain its profit margins.

[1] *Net working capital/ Operating income*

Exposure to cyclicality in the auto sector with PV segment driving large share of revenues – MPL derives majority of its revenues from the automotive sector, mainly the PV segment, thereby exposing it to competitive intensity and inherent cyclicality in the auto industry.

Liquidity position: Adequate

MPL's liquidity position is adequate with steady cash flow generation and unutilised working capital limits of ~Rs. 20 crore as of November 2024. Further, the company has sizeable debt-funded capex plans of ~Rs. 115-120 crore for FY2025 with repayment obligations of Rs. 10-20 crore over FY2025 and FY2026, which can be adequately met through the steady cash accrual generation and sanctioned term loans.

Rating sensitivities

Positive factors – ICRA could upgrade MPL's ratings if the company reports improvement in scale and healthy internal accrual generation, resulting in strengthening of its debt protection metrics. Specific credit metrics that could lead to a rating upgrade include Total Debt/OPBDITA of less than 2.8 times on a sustained basis.

Negative factors – Negative pressure on MPL's ratings could arise if considerable decline in internal accrual generation, any significant debt-funded capex or material delay in completion of the ongoing capacity expansion plans, result in weakening of the company's debt coverage metrics and liquidity position. Specific credit metrics that could lead to a rating downgrade include DSCR of less than 1.2 times on a sustained basis.

Environmental and Social Risks

Environmental concerns – Though MPL is not directly exposed to climate transition risks from a likelihood of tightening emission control requirements, its various end-user, auto industry OEMs remain highly exposed to the same. Accordingly, its prospects are linked to the abilities of its customers to meet these tightening emission requirements. MPL takes continuous measures to support eco-conscious practices and reduce carbon emissions through waste management, sustainable packaging and renewable alternatives.

Social concerns – MPL, like most automotive component suppliers, has a healthy dependence on human capital; and as such, retaining human capital, maintaining healthy employee relations and supplier ecosystem remain essential for disruption free operations for the entity. MPL has been taking initiatives to enhance employee safety, besides education and skill development initiatives for improving their capabilities.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology on Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 1986, MPL is engaged in manufacturing plastic-based injection moulding automotive parts, primarily bumpers and dashboards for leading OEMs and tier-1 suppliers in India. The company is promoted by the Jindal family who have extensive experience of more than three decades in the business. It was set up as a JV between MSIL and SMC, with 15.35% shareholding each in the company. It has two manufacturing units at IMT Manesar and Gurgaon in Haryana and is also in the process of setting up a third manufacturing unit at IMT Kharkhoda, Haryana, which is expected to become operational in

FY2026. The company also manufactures moulds for the in-house requirements of its customers. MPL has been listed on the Bombay Stock Exchange (BSE) since 1995.

Key financial indicators

MPL – Standalone	FY2023	FY2024	H1 FY2025*
Operating income	331.3	337.8	187.9
PAT	1.6	3.7	3.5
OPBDIT/OI	6.5%	7.7%	8.7%
PAT/OI	0.5%	1.1%	1.9%
Total outside liabilities/Tangible net worth (times)	3.1	3.3	4.4
Total debt/OPBDIT (times)	4.0	3.4	4.4
Interest coverage (times)	3.3	3.9	3.0

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current year (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Jan 28, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based- Term Loan	Long Term	162.2	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Fund based- Cash Credit	Long Term	25.0	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Non-Fund Based Limits	Long Term/ Short Term	5.0	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-	-	-
Unallocated	Long Term/ Short Term	0.8	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term- Fund based- Term Loan	Simple
Long term- Fund based- Cash Credit	Simple
Long term/Short-Term – Non-Fund Based Limits	Very 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	Fund based-Term Loan	FY2022-FY2025	~9.5-10.2%	FY2028-FY2034	162.2	[ICRA]BBB- (Stable)
NA	Fund based-Cash Credit	-	-	-	25.0	[ICRA]BBB- (Stable)
NA	Non-Fund Based Limits	-	-	-	5.0	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Unallocated	-	-	-	0.8	[ICRA]BBB- (Stable)/ [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