

DECEMBER 22, 2016

## CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF MENON PISTONS LIMITED

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	25	<b>CARE BBB+;Stable (Triple B Plus; Outlook: Stable</b>	Reaffirmed
Short term Bank Facilities	3	<b>CARE A2 [A Two]</b>	Reaffirmed
<b>Total Facilities</b>	<b>28 (Rupees Twenty eight crore only)</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Menon Pistons Limited (MPL) continue to derive strength from experienced promoters and long track record of the company in manufacturing of pistons, long-term association with reputed clientele, technical collaboration with Korean company Dong Yang Pistons since 2006, moderate financial risk profile, comfortable capital structure and healthy debt coverage indicators.

The ratings are constrained by vulnerability of profitability margins to volatile raw material prices, working capital intensive nature of operations, overall subdued demand for the auto components and intense competition from organised and unorganised players.

The ability of MPL to improve its scale of operations, sustain its profitability margin while maintaining capital structure along with effective management of working capital are the key rating sensitivities.

**Background**

MPL was incorporated in August, 1977 as a Private Limited Company in the name of Menon Pistons Private Limited (MPPL) in Kolhapur (Maharashtra) by Mr. Ram Menon and Late Mr. Chandra Menon. In January 1996, the company was converted into a public limited company and was listed on the Bombay Stock Exchange (BSE) and subsequently the name of the company was changed to 'Menon Pistons Limited'.

MPL is engaged in manufacturing of pistons, gudgeon pins and plungers which cater to the automobile industry. MPL has three manufacturing units out of which two units are located at Kolhapur (Maharashtra) and one unit in Sangli (Maharashtra). MPL commenced its operation for manufacturing of pistons at Kolhapur with an installed capacity of 30 lakh pistons per annum. During 1985, MPL installed second unit for manufacturing of gudgeon pins, pistons and plungers at Sangli with an installed capacity of 6 lakh pistons per annum, 36 lakh gudgeon pins per annum and 1.45 lakh plungers per annum. MPL has eighteen depots located across India to cater to customer requirements including Cummins India Limited, Tata Motors Limited (rated 'CARE AA+') Maruti Suzuki Limited, TAFE Motors & Tractors Limited, Eicher Tractors Limited etc.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Since April 2006, MPL has signed a technical collaboration with Dong Yang Pistons (South Korea) for the latest technology for manufacturing of Alfin piston.

MPL is the flagship company of the Menon group which includes companies like Menon Piston Rings Private Limited (*engaged in manufacturing of Piston Rings*), Menon Bearings Limited, Menon and Menon Limited (engaged in casting and machined of grey iron cylinder block and cylinder head) and Menon Exports (engaged in exports of pistons) apart from MPL.

During FY16 (refers to the period April 1 to March 31), MPL reported total operating income of Rs.131.79 crore, PBILDT of Rs.12.78 crore and PAT of Rs.4.32 crore as against total operating income of Rs.145.25 crore, PBILDT of Rs.15.44 crore and PAT of Rs.5.72 crore in FY15 (Audited). During H1FY17 (refers to the period from April 1 to September 30), MPL reported total operating income of Rs.69.27 crore, PBILDT of Rs.59.77 crore and PAT of Rs.4.17 crore as against total operating income of Rs.71.11 crore, PBILDT of Rs.62.35 crore and PAT of Rs.3.39 crore in H1FY16.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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