

MEMCO Engineering Private Limited

October 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	0.28 (Reduced from 1.69)	CARE BBB+; Stable	Reaffirmed
Long-term / short-term bank facilities	5.00	CARE BBB+; Stable / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of MEMCO Engineering Private Limited (MEMCO) continue to derive strength from the strong parent – Precision Camshafts Limited (PCL; rated 'CARE A; Stable/CARE A1'), its strategic importance to PCL considering its longstanding relationships with key customers, and the diversified product segment with demonstrated financial support from PCL. MEMCO's satisfactory financial risk profile is marked by adequate liquidity and debt protection metrics, despite modest net worth.

However, ratings' strengths are constrained by the modest scale of operations and customer concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial and sustained increase in the scale of operations, with improved profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins leading to gross cash accruals (GCA) above ₹30 crore on a sustained basis.
- Sustained healthy financial risk profile.

Negative factors

- Significant decline in revenue or operating profitability resulting in cash accrual below ₹2.00 crore on a sustained basis.
- Significant deterioration in financial risk profile due to higher-than-expected debt-funded capex or dip in cash and liquid investments.
- Deterioration in the credit risk profile of PCL.
- Decrease in direct/indirect shareholding below 51% of PCL in MEMCO resulting into weakening of linkages between MEMCO and PCL.

Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has factored in the linkages in the form of continued and expected operational, managerial, and financial support from PCL. MEMCO is a 100% subsidiary of PCL. Also, PCL and its subsidiaries have a common treasury function, which supports the funding requirements of the entities.

Outlook: Stable

The 'Stable' outlook reflects the company's ability to maintain its financial risk profile amid steady cash flow generation and absence of large debt-funded capital expenditure (capex).

Detailed description of key rating drivers:

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key strengths

Long track record and experienced top management

MEMCO benefits from PCL's long track record of around three decades in manufacturing camshaft, a critical engine component. The promoter, Yatin Shah (Chairman & Managing Director), a first-generation entrepreneur, has vast experience in the field of engineering and has played a vital role in transforming the organisation into one of the leading manufacturers of camshafts in India. The promoter, Yatin Shah (Chairman & Managing Director), a first-generation entrepreneur, has vast experience in the field of engineering and has played a vital role in transforming the organisation into one of the leading manufacturers of camshafts in India. The promoters of the company are assisted by a qualified and experienced management team. CARE Ratings believes that the company will continue to benefit from long track record and experienced top management.

Satisfactory financial risk profile

The company's debt profile includes working capital borrowings and term debt. The overall gearing remained below unity at 0.17x as on March 31, 2024 (0.20x as on March 31, 2023) and is expected to remain comfortable over the medium term in the absence of debt-funded capex.

The debt protection metrics improved in FY24 (refers to April 1 to March 31) due to an improvement in the PBILDT margins (7.53% in FY24 vs 3.93% in FY23) and scheduled repayment of term debt obligations. The interest coverage ratio (ICR) and total debt (TD) to GCA remained at 6.42x and 1.12x, respectively, in FY24 (4.49x and 4.03x, respectively, in FY23). The same is expected to improve gradually, in line with profitability.

Key weaknesses

Modest scale of operations

MEMCO has modest scale of operations with total operating income (TOI) of ₹49.32 crore in FY24 which was marginally lower compared to FY23 (₹52.79 crore). The dip was mainly due to lower volumes and marginally lower realisations. CARE Ratings expects the scale of operations to improve on the back of better order flow, however, to remain modest over the medium term.

Exposure to customer concentration risk, however, partly mitigated by long-standing relationships with reputed customers

The company derives about 50-60% of its revenues from its key customer – BOSCH Limited (BOSCH), thus exposing the revenues to customer concentration. Any slowdown in the orders from BOSCH may impact the scale of operations of MEMCO. However, the risk is partly mitigated by the long-standing relationships of over two decades with customers.

Modest net worth

The net worth continued to remain modest at ₹25.74 crore as on March 31, 2024 (₹26.01 crore as on March 31, 2023). CARE Ratings observes, the net worth is expected to improve, supported by steady accretion to reserves, but likely to remain modest over the medium term.

Liquidity: Adequate

The company's liquidity position is characterised by comfortable cushion in accruals against repayment obligations. The GCA are expected to be in the range of ₹3-5 crore as against the annual repayment obligations of approximately ₹0.80-1.50 crore over the medium term. The average utilisation of the working capital limits remained at 71% for the 12 months ended August 31, 2024. The liquidity is further supported by liquid investments and free cash and bank balance of ₹6.96 crore as on March 31, 2024. This is further supported by PCL's strong liquidity position and the demonstrated support by PCL on a need basis. PCL's continued support to MEMCO will remain a key monitorable.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Auto components	Auto components & equipment

Incorporated in 2006, MEMCO is a wholly owned subsidiary of PCL. MEMCO manufactures fuel injection components for conventional and CRDi diesel engines, brake components, and high-pressure diesel injector connectors, among others. MEMCO has two manufacturing units in Nashik (Maharashtra).

About the parent

Incorporated in 1992 as Precision Camshafts Private Limited by Yatin S Shah, the company was later converted into a public limited company and renamed as Precision Camshafts Limited. PCL is one of the world's leading manufacturers and suppliers of camshafts, a critical engine component, in the passenger vehicle segment. The company supplies over 150 varieties of camshafts, mainly for passenger vehicles. The company has two plants in Solapur (Maharashtra) and two plants in Nashik (Maharashtra). It also has one plant each in Germany and the Netherlands. Currently, it has a camshaft castings capacity of 11 million units per annum and a machined camshafts capacity of 4 million units per annum. In FY16, PCL went public and was listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange of India Limited (NSE) on February 08, 2016. Consequently, an equity capital of ₹240 crore was infused in the company. PCL acquired MFT Motoren Und Fahrzeugtechnik GMBH, Germany and EMOSS Mobile Systems B.V., Netherlands in August 2020 and July 2020, respectively.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	52.79	49.32	12.81
PBILDT	2.08	3.72	Not available
PAT	-0.24	-0.23	
Overall gearing (times)	0.20	0.17	
Interest coverage (times)	4.49	6.42	

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term loan		-	-	30-05-2025	0.16	CARE BBB+; Stable
Fund-based - LT-Term loan		-	-	30-09-2024	0.12	CARE BBB+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	5.00	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term loan	LT	0.16	CARE BBB+; Stable	-	1)CARE BBB+; Stable (03-Oct-23)	1)CARE BBB+; Stable (05-Jan-23)	1)CARE A (CE); Stable (07-Jan-22) 2)CARE A (CE); Stable (07-Apr-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	5.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (03-Oct-23)	1)CARE BBB+; Stable / CARE A2 (05-Jan-23)	1)CARE A (CE); Stable / CARE A1 (CE) (07-Jan-22) 2)CARE A (CE); Stable / CARE A1 (CE) (07-Apr-21)
3	Unsupported rating-Unsupported rating (LT/ST)	LT/ST	-	-	-	-	1)Withdrawn (05-Jan-23)	1)CARE BBB- / CARE A3 (07-Jan-22) 2)CARE BBB- / CARE A3 (07-Apr-21)
4	Fund-based - LT-Term loan	LT	0.12	CARE BBB+; Stable	-	1)CARE BBB+; Stable (03-Oct-23)	1)CARE BBB+; Stable (05-Jan-23)	1)CARE A (CE); Stable (07-Jan-22) 2)CARE A (CE); Stable (07-Apr-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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