Nidec Industrial Automation India Private Limited

February 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating	0.00	CARE AA-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The issuer rating assigned to Nidec Industrial Automation India Private Limited (NIAIPL) derives strength from its strong operational and financial linkages with its ultimate parent, Nidec Corporation (NC), a Japan-based global conglomerate engaged in manufacturing a wide variety of products including motors and alternators. There are business and financial linkages with NC, with NIAIPL using the NC owned brand 'Leroy Somer' for alternators in exchange of royalty payments and funding support received from NC through equity and external commercial borrowings (ECBs) towards ongoing capex. Going forward, CARE Ratings Limited (CARE Ratings) expects parent support to continue as it diversifies in other products under Motion and Energy (MOEN) segment.

Rating also consider NIAIPL's established presence in India, long standing association with reputed clientele, healthy financial risk profile and its strong liquidity. Rating also factor growth in NIAIPL's scale of operations led by increase in domestic demand post Covid-19.

However, rating strengths are partially offset by NIAIPL's moderate profitability, which is further susceptible to raw material price volatility and its presence in a highly competitive industry. The ratings also factor implementation and scalability risk associated with the large size ongoing capex.

CARE Ratings also takes note of amalgamation of Control Techniques India Private Limited (CTIPL) with NIAIPL. The scheme of amalgamation was approved by the board of directors in FY24 (FY refers to April 01 to March 31) and relevant documents are filed with NCLT Bangalore for the merger approval. Approval from NCLT Bangalore is pending. As per scheme of merger, appointed date is April 01, 2023. Post amalgamation, CARE Ratings expects NIAIPL's financial risk profile to continue to remain stable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations above ₹1700 crore along with improvement in its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin on a sustained basis.

Negative factors

- Increase in reliance on external debt leading to moderation in coverage ratios on sustained basis.
- Material change in the company's shareholding/ controlling interest or operational linkages with the ultimate parent company Nidec Corporation (NC)

Analytical approach: Standalone while factoring the strong management, financial, and operational linkages with its ultimate parent - NC. CARE has applied parent notch-up framework to factor in the operational and financial support by NC.

Outlook: Stable

Stable Outlook reflects CARE Ratings expectations that NIAIPL shall be able to sustain its business and financial risk profile in the medium term supported by its strong brand presence in India and established relationship with reputed clientele and support from NC.

Detailed description of key rating drivers:

Key strengths

Part of NC, having strong presence across the globe

NIAIPL is part of Japan-based Nidec group. Incorporated in 1973 by Mr. Shigenobu Nagamori, Japan-based NC is listed on Tokyo Stock Exchange and is a constituent of the TOPIX 100 stock market index.

NC is the flagship company of the group having direct/indirect holding in 345 subsidiaries and four associates with presence in over 30 countries. NC had a market cap of ₹1.87 lakh crore (as on January 23, 2025).

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

NC is the world's largest manufacturer of micromotors for hard disk and optical drives, fan motors for game machines, inverter and air conditioner motors, ice makers, motors for office equipment (copiers), ATM card readers, LCD panel handling robots, mobile phone vibration motors, electric power steering motors in vehicle, and music box among others.
In FY24, NC (consolidated) reported total operating income (TOI) and profit after tax (PAT) of ¥2,37,989 crore and ¥12,634 crore respectively. In 9MFY25, NC (Consolidated) reported net sales and PAT of ¥1,94,596 crore and ¥13,197 crore.
Indian operations are headed by Mr. Girish Kulkarni, aided by Mr. Gangadhara Chuddapa. They are supported by professionals, who head business verticals and supports the management in critical decision making.

Established market position catering to a reputed clientele base
NIAIPL is a leading domestic player in manufacturing alternators and motors, primarily serving industries such as power, industrial, commercial, renewable, and automotives. The company has established long-term relationships with renowned Original Equipment Manufacturers (OEMs) including Kirloskar Oil Engines Limited, Mahindra & Mahindra Limited, Caterpillar India Private Limited, Eicher Motors Limited, and Ashok Leyland, among others. The top five customers contribute ~44% to the FY24 TOI (reduced from ~69% in FY23). NIAIPL also exports its products to the Middle East and South Asian countries, accounting for ~11% of TOI in FY24 (same as FY23).
As of January 16, 2025, NIAIPL has outstanding orders worth ~₹118 crore, set to be executed before FY25 end.

Strong financial risk profile
NIAIPL's capital structure remained stable, with an overall gearing ratio and total outside liabilities to tangible net worth (TOL/TNW) of 0.36x (FY23: 0.41x) and 0.73x (FY23: 1.09x), respectively, as of the end of FY24. The company does not have secured sanctioned bank facilities but utilises unsecured trade limits, with the interest costs being borne by suppliers. Debt coverage indicators, including PBILDT interest coverage and total debt to gross cash accruals (TD/GCA), remained strong at 204.97x (FY23: 257.59x) and 2.37x (FY23: 2.28x), respectively, at the end of FY24.
The holding company infused equity of ₹122 crore in FY24 to fund the ongoing capital expenditure, strengthening NIAIPL's net worth to ₹446.40 crore as of FY24 end (FY23 end: ₹ 264.63 crore). However, CARE Ratings anticipates a moderation in the company's leverage in the near term due to the proposed infusion of ₹400 crore through ECBs by NC to fund the ongoing capex.

Growing scale of operations
NIAIPL's TOI grew at a compounded annual growth rate (CAGR) of 19% in the last four years, reaching ₹950 crore in FY24 (up from ₹ 473.40 crore in FY20), driven by strong demand from end-user industries following the Covid-19 pandemic. On a year-on-year basis, NIAIPL's TOI grew by ~12%, from ₹849 crore in FY23 to ₹950 crore in FY24. Sales from alternators accounted for about 90% of the TOI in FY24, with the remaining sales coming from motors and other products. In 9MFY25, NIAIPL reported a TOI of ₹736 crore and expects to achieve a TOI of ~₹1,000 crore for FY25. NIAIPL currently contributes ~50% of the NC's total revenue from Indian operations.
CARE Ratings anticipates significant growth in NIAIPL's scale of operations following commissioning of the additional capacity from H2FY26 onwards.

Liquidity: Strong
NIAIPL's liquidity remains strong, with no term debt repayment obligations and minimal reliance on working capital limits to meet its working capital needs. As of December 31, 2024, the company had free cash and cash equivalents of ₹268 crore, a portion of which will be used to fund the ongoing capex.
NIAIPL provides a credit period of ~60-90 days to its customers and maintains inventory for ~45-60 days to ensure smooth production, resulting in moderate gross current asset days of 142 days in FY24. However, the company's working capital cycle remained moderate at 81 days, owing to its strong bargaining power with creditors and the use of unsecured trade finance limits, with the associated finance costs borne by the suppliers. Since a significant portion of the working capital requirement is funded through internal accruals, NIAIPL's cash flow from operations (CFO) remained modest at ₹ 9.93 crore as of FY24-end (compared to a negative figure in FY23).
CARE Ratings expects the company to maintain its strong liquidity profile going forward considering free liquidity and support from NC, being sufficient to meet the company's capex and incremental working capital requirements.

Key weaknesses
Moderate profitability, which remains susceptible to raw material price volatility
NIAIPL's PBILDT margin has fluctuated in the past five years, with a decline in FY21 and FY22 to 1.74% and 2.29%, respectively, due to the impact of Covid-19. However, the company's PBILDT margin recovered to 8.42% in FY24, driven by higher margins on alternators and better fixed cost absorption due to economies of scale. Despite this improvement, the PBILDT margin remains

moderate due to royalty and trademark payments to fellow subsidiaries, such as Nidec Leroy Somer Holding SA, France, and Moteurs Leroy Somer, Cedex, France, amounting to 5-6% of NIAIPL's sales.
Consistent with the improvement in PBILDT margin, the PAT margin also rose to 6.24% in FY24, compared to losses reported at the PAT level in FY20.

Project implementation risk
NIAIPL is currently undertaking a capital expenditure (capex) project to establish a large, comprehensive manufacturing campus with six factories at Hubli-Dharwad. The facility will manufacture alternators, wind generators, motors, pitch control systems, battery energy storage systems, industrial motors, variable frequency drives, low and medium voltage systems, and elevator motors. The project is incentivised under the Scheme for Promotion of Electronics Components and Semiconductors (SPECS), a central government initiative that promotes manufacturing and development of electronics components, semiconductors, and display fabs in India, and the Karnataka Industrial Policy (KIP) scheme. Benefits will be realised after commissioning of operations. The total project cost is estimated at ~₹600 crore, with funding planned through a combination of ECBs and equity infusion from NC /internal accruals in a 2:1 ratio. As of December 31, 2024, NC has infused ~₹122 crore of equity and ₹67 crore through ECBs. There is no scheduled repayment for the ECB. The company has already incurred ~₹168 crore (~28% of the project cost) by December 31, 2024. The Scheduled Commercial Operations Date (SCOD) for the project is set for October 2025.
Timely project implementation, its scaling up and realisation of envisaged benefits will be key factors to monitor from a credit perspective.

Presence in a fragmented and competitive industry
The alternator market is characterised by a fragmented landscape, with numerous global and domestic entities vying for market presence. This sector features a mix of conglomerates and specialised companies, allowing for diverse offerings ranging from small-scale to industrial applications. The fragmented market poses challenges and opportunities where smaller firms have increased the competitive intensity within the segment.

Applicable criteria
Definition of Default
Factoring Linkages Parent Sub JV Group
Issuer Rating
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector

About the company and industry
Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Manufacturing	Industrial Products

NIAIPL is part of Japan-based Nidec group engaged in manufacturing of alternators and motors at Bengaluru and Hubali, Karnataka. In January 2017, Nidec group acquired Leroy Somer and Control Techniques – motor, drives, alternators and electric power generators business vertical from Emerson Electric Co.
The Indian operations of alternator manufacturing company under band name "Leroy Somer" were renamed as – NIAIPL from Emerson Industrial Automation Electric Power Generation Private Limited. NIAIPL forms part of the group's MOEN (Motion and energy) Vertical. NIAIPL's operations are managed by Mr. Girish Kulkarni.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	849.06	949.71	735.97
PBILDT	56.67	79.94	54.53
PAT	39.07	59.27	NA
Overall gearing (times)	0.41	0.36	NA
Interest coverage (times)	257.59	204.97	NA

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years: Annexure-2

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE AA-; Stable

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	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA-; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated: Not applicable

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.infor clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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