Federal Mogul Goetze India Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	54.00 (Reduced from 58.50)	CARE A+; Stable	Reaffirmed
Short-term bank facilities	141.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Federal Mogul Goetze India Limited (FMGIL) factors in the consistent growth in the total operating income (TOI) over the past 3-4 years, improving profitability margins with the expectations of further margins expansion in the FY25. In 9MFY25, the company had achieved ~6% year-over-year (y-o-y) growth in TOI with operating margins higher by 100bps on a y-o-y basis. Ratings continue to derive strength from its established market position and long track of operations in the piston and piston rings business, sound relationship with its customers (original equipment manufacturers, OEMs) and a diversified revenue stream with presence across all vehicle segments (commercial vehicles and trucks off highway, passenger vehicles and two wheelers among others). Ratings further factors in the company's strong parentage and the demonstrated support of the Federal Mogul group in terms of FMGIL's access to the group's global managerial and technological expertise.

Ratings also factor its comfortable financial risk profile market by negligible borrowings (only comprised of lease liabilities and acceptances) over the last 2-3 years, leading to comfortable leverage and debt metrics and a strong liquidity position marked by free cash balance and liquid investments of ₹632 crore (on consolidated level) as on December 31, 2024.

However, ratings remain constrained by susceptibility of the profitability margins to raw material price fluctuations, limited scope of expansion and auto sector's transition towards electric vehicles and the industry's cyclical nature.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in the TOI with improved profitability on a sustained basis.
- Ability to diversify its product portfolio leading to annual cash accruals in the range of ₹ 230-250 crore while maintaining low gearing and liquidity position with cash balances above ₹200 crore on a sustained basis.

Negative factors

- Decline in total income below ₹1300 crore and dip in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin to below 10%.
- Debt funded capex leading to overall gearing of over 0.5x and net debt to PBILDT above 1.5x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings has considered the consolidated performance of FMGIL with its subsidiary – Federal Mogul TPR India Limited owing to significant operational, financial and management linkages, between these entities. Details of the subsidiary which have been consolidated as on December 31, 2024, are given in Annexure-6.

Change in Approach: Earlier a Standalone approach was being followed, however owing to high fungibility and operational linkages between these entities, the approach is being changed from Standalone to Consolidated.

Outlook: Stable

The stable outlook assigned to the company's long-term bank facilities is considering the expectation that the company is expected to post steady scaling-up of operations with stable profitability margins in the medium term. The company's financial risk profile is also expected to remain at a comfortable level with strong debt repayment coverage indicators characterised by nil term loan and strong liquidity available in the form of free cash balances and liquid investments.

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

Detailed description of key rating drivers:

Key strengths

Strong parentage of the Federal-Mogul Group (FMG)

Federal Mogul group holds 74.98% stake in FMGIL as on December 31, 2024, with Federal Mogul Holdings Limited, Mauritius, immediate holding company, holds 60.05% stake and Federal Mogul Vermogensverwaltungs-Gmbh, holds 14.93% stake. The group's ultimate holding company, Federal Mogul LLC, was acquired by Tenneco Inc., USA in 2018. In November 2022, fund managed by Apollo Global Management Inc has completed the acquisition of Tenneco, with the entire shareholding earlier owned by Tenneco now being held by the Apollo group of funds. FMGIL business profile continuous to strengthened by the support received from the parent group, Federal Mogul Group in the form of technical and managerial expertise and financial assistance.

Dominant market position with well diversified revenue streams

FMGIL continues to have strong market position (2nd largest player) in the piston, piston ring and engine valve industry in India, with over seven decades of experience. In FY24, piston and piston rings contributed ~88% revenue, while engine valves, seats, and guides accounted for 12%. The company maintains a strong market share across vehicle segments, catering to automotive, heavy-duty, motorcycles, energy, industrial, power generation, railway, and defense industries, in FY24. FMGIL's well-diversified presence in the OEM, export and replacement markets and across all vehicle segments helps mitigate risks from a slowdown in single segment.

It has strong relationships with leading OEMs across segments and has maintained a strong share of business across all major OEM's with repeated orders received from them over the years. FMGIL's key customers include leading automobile players in India like Mahindra & Mahindra Limited, Bajaj Auto Limited, Maruti Suzuki India Limited, Tata Motors Limited, Hero MotoCorp Limited and Ashok Leyland Limited ensuring a stable revenue stream. The top-10 customers contributed 55% gross sales in FY24 (PY: 53%), representing a well-diversified customer base.

Consistent increase in scale of operations with improvement in profitability margins

The company's operating income consistently grew over the years and had achieved cumulative annual growth rate (CAGR) of over 15% over FY21-FY24 and growth of 3.7% y-o-y in FY24 to reach ₹1,698 crore. The increase in revenue is owing to higher sales realisations and better product mix. In 9MFY25 (UA) also, the uptrend in sales continued with operating income increasing by a healthy 6%. Driven by cost savings measures undertaken by the company, price hikes and range bound raw material prices, better product mix with company's focus on high margin product sales, and operational efficiencies with better utilisation of capacities leading to better absorptions of fixed costs, PBILDT margins also improved consistently by ~300 bps over the last three years to 14.5% in FY24 (13.1% in FY23) and further to 14.6% in 9MFY25. The PAT margin also improved from 6.56% in FY23 to 7.85% in FY24.

Going forward, revenue growth is expected to fuel by uptick in demand from OEMs, exports, and the replacement market. The impact of electrification in India remains minimal, as the transition is primarily focused on the 2-3 wheeler segment, where the company revenue share is ~10%. FMGIL's profitability margins are also expected to improve further despite inflationary pressures, driven by continued cost-saving measures undertaken by company primarily towards reducing employee costs and operational efficiencies from stable production growth, leading to higher capacity utilisation.

Stable financial risk profile with low dependence on borrowed funds

FMGIL's credit profile has remained comfortable over the years as the company's debt obligation remained minimal and only comprised of lease liabilities and acceptances while the company's net-worth keeps growing and stood at a healthy level. Resultantly, overall gearing was strong at 0.04x as on March 31, 2024 (PY:0.04x). The debt coverage indicators also remained strong marked by interest coverage ratio and total debt/ PBILDT of 39.61x (PY: 39.38x) and 0.20x (PY: 0.23x) respectively as on March 31, 2024.

Going forward, FMGIL's capital structure and debt coverage indicators are expected to remain comfortable considering its large net worth base and no debt-funded capex plans.

Key weaknesses

Susceptibility of the margins to raw material price fluctuations

Aluminium, steel, steel alloys are the key raw materials (raw material cost contributed ~37% of the cost of sales in FY24 against ~40% in FY23) used for te manufacturing piston and piston rings. The company procures raw materials at prevailing market prices. Demand for metals is cyclical with prices driven by demand and supply conditions in the domestic market, which has strong linkages with the global market. For 75% OEMs (comprising 70-75% of total sales), the company can fully pass on the increase or decrease in rates of raw material, since they are procured from OEM approved suppliers. However, for the residual portion and also for after market segment, the company remains exposed to the raw material price risk.

Exposure to cyclicality in demand in automobile industry

The company's revenue remains closely aligned to the performance of key customers and exposed to cyclical demand patterns inherent to the automobile industry and ability of the OEMs to sustain their operating performance. The company sales significantly constitute towards commercial vehicles and trucks off highway. The demand for commercial vehicles and trucks off highway is highly cyclical, closely tied to the overall economic activity. In periods of economic growth, demand for commercial vehicles and trucks off highway rises due to increased industrial production and transportation needs. Conversely, in economic downturns, demand declines as businesses cut back on spending and transportation needs decrease. Factors such as interest rates, fuel prices, and regulatory changes also influence the cyclicality of demand in this industry.

Following the economic fallout led by the Covid-19 pandemic, domestic and global auto sales were impacted. Subsequently supply chain constraints such as the semiconductor shortage resulted in temporary hiccups in the past.

Limited scope of expansion amidst automobile industry transition to EVs

Pistons and piston assemblies are vital components in the automotive manufacturing value chain, as they are essential engine parts for internal combustion engine (ICE) vehicles. However, with the growing emphasis on electric vehicles (EVs), the relevance of pistons is diminishing. FMGIL faces risks related to regulatory changes within the automotive sector, particularly concerning the shift to EVs, which may include increased acquisitions or higher research and development costs.

The company derives a significant portion of its revenue—~10% of total sales in FY24—from the two-wheeler segment, one of the first automotive sectors to experience greater electrification. Governments in both India and abroad are consistently updating policies on emission and safety standards, and offering subsidies and establishing standard operating procedures (SOPs) to promote EV adoption.

While EV adoption in India is still in its early stages, CARE Ratings anticipates a gradual shift across automotive segments, meaning the risk associated with this transition is more relevant in the medium-to-long term. A critical factor to monitor is FMGIL's ability to diversify its product offerings (since it currently holds a leading position in the ICE segment, which has limited growth potential) to include products more compatible with EVs, or its ability to expand into new geographical markets, particularly export regions. This will be further supported by the company's strong, long-standing relationships with OEMs, especially as the EV market continues to develop both in India and internationally. These factors remain key considerations for rating assessments.

Liquidity: Strong

FMGIL has strong liquidity position as as reflected by gross cash accruals (GCA) of ₹216 crore in FY24, and expectations of ~₹250 crore for FY25, which will be over sufficient to cover its capex plans and lease repayments obligations of ~₹ one crore for FY26, with no long term debt. The liquidity is well supported free cash balance and liquid investments of ₹632 crore as on December 31, 2024, and ₹418 crore as on March 31, 2024, which will be sufficient to fund its growth plans in future, if any. The company's operating cycle also remains comfortable and stable at 27 days in FY24, reflecting its strong cash conversion. The company has planned a capex of ~~₹80-90 crore p.a. in medium term, majorly towards maintenance purposes, which will be entirely funded through the internal accruals of the company. With a gearing of 0.04x as on March 31, 2024, the issuer has additional headroom to raise additional debt if required. The company's average fund-based working capital limit utilisation stood nil for the trailing 12 months ended December 2024, also reflecting its strong liquidity position with nil reliance on external borrowings.

Environmental, Social and Governance Risk assessment:

Environmental: FMGIL maintain a pollution free environment by reduction/ elimination of waste, optimum utilisation of power.

- The company uses 95% of Wheeling Energy (Wind/Hydro/Solar Energy) thus focus is on reduction of green-house gases. The manufacturing facility is upgraded to use of PNG gas from traditional LPG.
- For waste management, the company recycles 10-15% waste and focus is on waste reduction programs by treating water from the effluent treatment plant and sewage treatment plant for gardening, disposal of waste to cement industries for coprocessing to avoid land fill, reduction in water consumption by process improvements, reduction in hazardous waste generation by process improvements

Social: CSR projects currently aim to promote basic education, environment plantation drive, protection of wildlife, and preventive healthcare, rural development project, Employment enhancing vocational skills, Women empowerment.

- The company has Corporate Social Responsibility (CSR) Committee constituted by the Board. The Company has adopted a well-defined Policy on CSR on the recommendations of CSR Committee per the requirement of Section 135 of the Companies Act, 2013.
- In FY24, Company took up activities in the field of providing education, employability enhancement, skill development, environment conservation & women empowerment, gender diversity, environment conservation and health benefits.
- The company also partnered with Manav Charities for providing two-wheeler mechanic skill training to boys with an aim to support the cause of male empowerment in the society.

Governance-The company is committed to good corporate governance practices. The board adheres to the standards set out by the Securities and Exchange Board of India (SEBI), corporate governance practices and, accordingly, has implemented major stipulations prescribed.

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- There is audit committee, Nomination and remuneration committee, Stakeholders relationship committee; Corporate social responsibility committee; Risk management committee.
- The company is managed by professional board of directors who have extensive experience in Auto Ancillary industry. As on December 31, 2024, the company's board had nine Directors comprising four Executive Director (including one Woman Executive Director), four non executive Independent Directors (including one Independent Woman Director), and one non executive non independent director.

Applicable criteria

Consolidation
Definition of Default
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 and equipments

Federal Mogul Goetze India Limited (FMGI) was established in 1954 as a joint venture with Goetze-Werke of Germany. In 2006, the majority shareholding of FMGI was acquired by Federal-Mogul Corporation (FMC) USA through its two subsidiaries Federal-Mogul Holdings Limited and Federal-Mogul Vemogensuverwaltungs GMBH. FMGI is engaged in manufacturing auto components, primarily focusing on pistons and piston rings. Federal Mogul TPR (India) Limited, subsidiary of Federal Mogul Goetze India Limited, is in technical collaboration with Teikoku Piston Ring Company Limited, Japan and Federal Mogul UK Investments Limited, a group company of Tenneco Inc., USA (from October 01, 2018, erstwhile parent Federal Mogul LLC, USA), manufactures steel rings used in passenger vehicle automobiles.

The company has three manufacturing units which are strategically in Patiala (Punjab), Bengaluru (Karnataka), and Bhiwadi (Rajasthan) and are operated at ~75-80% capacity utilisation. The company has presence across segments including Commercial vehicles &Trucks off highway (33% of the total sales in FY24), two wheelers (10%), passenger vehicles (31%), and aftermarket & OES (26%). The majority sales are made in the domestic market with a strong presence in Northern India. The company exports products to OEMs based in USA and Thailand among others, which constitutes ~7-8% of total company's sales.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	1637	1698	1346
PBILDT	215	245	197
PAT	107	133	108
Overall gearing (times)	0.04	0.04	NA
Interest coverage (times)	43.59	43.56	52.96

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-Working Capital Limits		-	-	-	54.00	CARE A+; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	10.00	CARE A1+
Non-fund-based-Short Term		-	-	-	131.00	CARE A1+

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-Working Capital Limits	LT	54.00	CARE A+; Stable	-	1)CARE A+; Stable (11-Mar-24)	1)CARE A+; Stable (27-Mar-23)	1)CARE A+; Stable (06-Jan-22)
2	Non-fund-based-Short Term	ST	131.00	CARE A1+	-	1)CARE A1+ (11-Mar-24)	1)CARE A1+ (27-Mar-23)	1)CARE A1+ (06-Jan-22)
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	10.00	CARE A1+	-	1)CARE A1+ (11-Mar-24)	1)CARE A1+ (27-Mar-23)	-

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-Working Capital Limits	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure -6: List of entities consolidated

Sno	Name of entity	Extent of Consolidation	Rationale for consolidation
1	Federal Mogul TPR India Limited	Full	Subsidiary

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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Ravleen Sethi Director **CARE Ratings Limited** Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Anant Agarwal Associate Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Anant.Agarwal@careedge.in Sahil Goyal Assistant Director **CARE Ratings Limited** E-mail: Sahil.goyal@careedge.in

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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