Menon Pistons Limited

July 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	31.87 (Reduced from 34.00)	CARE A-; Stable	Reaffirmed
Short-term bank facilities	1.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to bank facilities of Menon Pistons Limited (MPL) continues to derive strength from promoters' extensive experience and long track record of the company, diverse product portfolio, above average profitability and comfortable capital structure, and debt coverage indicators. The company had reported stable performance in FY25 (FY refers to April 1 to March 31).

However, these rating strengths are partially offset by moderate scale of operations amidst competitive industry landscape, customer concentration risk, profitability susceptible to raw material price volatility and foreign exchange rate fluctuations, moderate working capital requirements, and susceptibility to the risks associated with regulations in the automotive industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantially improving scale of operations resulting in gross cash accruals (GCA) of over ₹100 crore on a sustained basis.
- Improving business profile characterised by customer diversification and new business acquisition from other automotive segments.

Negative factors

- Un-envisaged large debt programme to fund either capital expenditure (capex)/ acquisitions or working capital requirements resulting in total debt to GCA (TDGCA) of over 1.25x on a sustained basis.
- Significant dip in the revenue or profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins or stretched working capital cycle resulting in weakening of liquidity.
- Significantly higher-than-expected dividend payout, adversely impacting the financial position/liquidity.

Analytical approach: Consolidated

CARE Ratings Limited (CareEdge Ratings) has considered consolidated financials of MPL (Standalone), and its two wholly owned subsidiaries as mentioned in Annexure-6. CareEdge Ratings has analysed MPL's credit profile by considering the consolidated financial statements owing to the financial, business, operational, and management linkages between the parent and subsidiaries.

Outlook: Stable

Stable outlook reflects CareEdge Ratings' expectation of MPL's ability to maintain its financial risk profile and sustained scale of operations supported by its diverse product basket and long association with the original equipment manufacturers (OEM).

Detailed description of key rating drivers:

Key strengths

Experienced promoters and long track record of the company

MPL is spearheaded by Sachin Menon, Chairman and Managing Director, who has over three decades of experience in the automotive component manufacturing industry. Under his leadership, the company has maintained relationships with its customers and suppliers resulting in repeated orders and thus establishing a long track record in manufacturing pistons/piston assemblies, gudgeon pins, and plungers. Its group entities also continue to have strong presence in the auto component industry through Menon Piston Rings Private Limited (located: Kolhapur; engaged in manufacturing piston rings), Menon Engineering Services (engaged in providing services related to manufacturing processes), and Menon Exports (exporter of auto components).

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

Diverse product portfolio
The company has diverse product offering with focus towards tractor and commercial vehicle segment. It caters to the requirement of OEMs and secondary market with presence in domestic and export markets. In FY25 (refers to April 1 to March 31) sales to OEMs formed 61% of TOI (62% in FY24), while aftermarket contributed 20% of TOI (20% in FY24), export markets through group entity, Menon Exports contributed 15% of TOI (14% in FY24) and balance through state transport units. This diversification helps the company manage downturn in a particular segment.

Above average profitability
MPL's PBILDT margin remained healthy in range of 16%-18% in the last four years owing to the critical nature of auto components manufactured by the company and increased portion of machined components in sales mix. PBILDT margin declined slightly to 17.10% in FY25 from 17.82% in FY24 considering increase in raw material costs. However, this impact was partially offset by savings of ~₹4–5 crore in electricity expenses from the 4.4 MW solar project implemented last year. The profit after tax (PAT) margin also declined marginally to 9.37% in FY25 (10.34% in FY24). CareEdge Ratings expects MPL to maintain its profitability, driven by an increased focus on machined components.

Comfortable capital structure and debt coverage indicators
MPL's capital structure continued to remain comfortable, characterised by minimal reliance on debt and working capital requirements, which is reflected in the overall gearing of 0.11x as on March 31, 2025 (0.15x as on March 31, 2024). Debt coverage indicators continued to remain strong in FY25 with TDGCA of 0.47x (FY24: 0.56x) and interest coverage of 21.66x (FY24: 24.10x). MPL's capital structure is expected to remain comfortable in the medium term.

Key weaknesses

Moderate scale of operations
MPL's total operating income (TOI) remained moderate at ₹254.45 crore in FY25, marginally lower than ₹255.72 crore in FY24. TOI of MPL (standalone) and its subsidiary, Rapid Machining Technologies Private Limited (RMTPL), showed improvement during the year. In contrast, its other subsidiary, Lunar Enterprise Private Limited (LEPL) experienced a significant decline in TOI by ~36% due to disruptions in export activities caused by geopolitical tensions and supply chain challenges. Furthermore, demand in both the OEM and export markets was weak in Q4FY25 (refers to January 1 to March 31), leading to lower revenue for the quarter on y-o-y basis. However, with stable domestic demand, CareEdge Ratings expects the overall scale of operations to remain moderate in the near term.

Customer concentration risk
Despite having multiple revenue streams, including OEMs, replacement market, and exports, the company derives ~~30% of its revenue from its top two customers, which includes Cummins India Limited and MPL's group company, Menon Exports (which in turn derives ~70% of its revenues from only two major customers). This exposes the company's performance to the orders from few customers which is partially mitigated by its established relationship leading to repeat orders.

Profitability susceptible to raw material price volatility and foreign exchange rate fluctuations
Major raw materials include melting steel (M.S) scrap and pig iron. The commodity price volatility can significantly affect MPL's raw material costs, and in turn, profitability. The company usually has price pass-through mechanism with its clients, which considers the fluctuations in input prices, though the same occurs with a lag of three to six months depending upon respective customer. Also, the extent of the pass through depends on negotiations. Hence, the time lag and the quantum of pass through may partially impact operating profitability.

Moderate working capital requirements
MPL's working capital cycle remained moderate at 102 days in FY25 (PY: 102 days), primarily driven by moderate collection period and inventory levels of 87 days (PY: 86 days) and 58 days (PY: 49 days) as on March 31, 2025, respectively.
MPL offers open credit to its customers for ~30-45 days to OEMs and domestic transport units and 90 days for export sales, resulting in high collection period of 85-90 days. CareEdge Ratings expects the working capital requirements to remain moderate over the medium term.

Intense competition and susceptibility to risks associated with regulations in automobile industry
MPL faces competition from larger organised players and other unorganised players in the OEM and aftermarket segments, respectively. Pistons/pistons assemblies are critical products in the value chain of automotive manufacturing being engine parts of internal combustion engine (ICE) vehicles. With the increasing focus on electric vehicle, there is diminishing utility of pistons and gudgeon pins. The governments in India and abroad have been continuously updating their policies regarding emission norms, safety norms or supporting off-take in electric vehicles through subsidies and standard operating procedures (SOPs). Presently, MPL's products find application mainly in the heavy duty vehicles and tractors, hence, the impact of EV transition is expected to be limited in immediate future.

Liquidity: Adequate

MPL has adequate liquidity as reflected by healthy gross cash accruals (GCA) of ₹35-40 crore against the low debt repayment of ~₹3 crore in the near term. Cash flow from operations remained positive for last five years ending FY25 (₹32.03 crore for FY25). The working capital requirements are moderate and the average of monthly utilisation of working capital stood ~13.17% for past 12 months ending June 30, 2025. The company had cash and cash equivalents of ₹9.52 crore as on March 31, 2025. The company's current ratio as on March 31, 2025, stood at 2.52x (1.86x as on March 31, 2024).

Assumptions/Covenants: Not applicable

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

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 & equipment

MPL was incorporated in August 1977 as a private limited company in the name of Menon Pistons Private Limited (MPPL) in Kolhapur (Maharashtra) by the Menon family and was later listed on Bombay Stock Exchange (BSE). Currently spearheaded by Sachin Menon (CMD), the company manufactures pistons/piston assemblies (installed capacity of 36 lakh units), gudgeon pins (installed capacity of 27 lakh units), and plungers (installed capacity of 24 thousand units).

Brief Financials (₹ crore) – Consolidated – MPL	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	255.72	254.45
PBILDT	45.56	43.52
PAT	26.45	23.85
Overall gearing (times)	0.15	0.11
Interest coverage (times)	24.10	21.66

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

Brief Financials (₹ crore) – Standalone – MPL	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	208.82	212.35
PBILDT	31.46	32.19
PAT	24.20	17.32
Overall gearing (times)	0.15	0.12
Interest coverage (times)	14.82	7.78

A: Audited; 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-Cash Credit		-	-	-	20.00	CARE A-; Stable
Fund-based - ST-EPC/PSC		-	-	-	1.00	CARE A2+
Non-fund-based - LT-Bank Guarantee		-	-	-	1.00	CARE A-; Stable
Term Loan-Long Term		-	-	30/09/2029	10.87	CARE A-; 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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	20.00	CARE A-; Stable	-	1)CARE A-; Stable (27-Sep-24)	1)CARE A-; Stable (03-Oct-23)	1)CARE BBB+; Positive (02-Jan-23)
2	Fund-based - ST-EPC/PSC	ST	1.00	CARE A2+	-	1)CARE A2+ (27-Sep-24)	1)CARE A2+ (03-Oct-23)	1)CARE A2 (02-Jan-23)
3	Non-fund-based - LT-Bank Guarantee	LT	1.00	CARE A-; Stable	-	1)CARE A-; Stable (27-Sep-24)	1)CARE A-; Stable (03-Oct-23)	1)CARE BBB+; Positive (02-Jan-23)
4	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (03-Oct-23)	1)CARE BBB+; Positive (02-Jan-23)
5	Term Loan-Long Term	LT	10.87	CARE A-; Stable	-	1)CARE A-; Stable (27-Sep-24)	-	-

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - ST-EPC/PSC	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Rapid Machining Technologies Private Limited	Full	Subsidiary
2	Lunar Enterprise Private Limited	Full	Subsidiary

Note on complexity levels of rated instruments: CareEdge 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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