Rating Rationale

April 16, 2025 | Mumbai

Sekisui DLJM Molding Private Limited

Rating upgraded to 'Crisil A+/Stable'

Rating Action

Total Bank Loan Facilities Rated	**Rs.10 Crore**
Long Term Rating	**Crisil A+/Stable (Upgraded from 'Crisil A/Stable')**

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1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has upgraded its rating on the long-term bank loan facility of Sekisui DLJM Molding Private Limited (Sekisui) to '**Crisil A+/Stable'** from 'Crisil A/Stable'.

The rating upgrade reflects improvement in the business risk profile of the company, as indicated by increase in estimated scale of operations to around Rs 600 crore in fiscal 2025, supported by addition of new customers in the four-wheeler segment along with diversified revenue profile. Sekisui's comfortable market position is supported by its diversified product portfolio, healthy demand from the automotive (auto) sector, established relationships with original equipment manufacturers (OEMs) and customer dependence. The company is also exploring export opportunities in Italy for seat components and is planning to gradually expand its reach to Brazil and Canada. With increasing order flow and entry into newer geographies, the revenue growth is expected to be healthy at 10-12% over the medium term. Operating margin is estimated to remain strong at 15-16% in fiscal 2025 which is expected to sustain supported by the ability to pass on increase in raw material prices and healthy offtake of new products leading to better absorption of fixed costs. The rating also factors in the support the company gets from its joint venture (JV) partner, Sekisui Chemicals Co Ltd, Japan (SCCL).

The financial risk profile is robust, supported by strong networth of Rs 201.62 crore as on March 31, 2024 and limited reliance on external debt, as indicated by healthy gearing and total outside liabilities to tangible networth (TOLTNW) ratio of 0.34 time and 0.78 time, respectively, on the same date. The debt protection metrics were also comfortable, as indicated by interest coverage and net cash accrual to adjusted debt (NCAAD) ratios of 17.96 times and 0.91 time, respectively, in fiscal 2024.

The liquidity profile is superior, as indicated by nil utilisation of bank limits in the 12 months through December 2024. Generation of surplus accrual against debt obligation further supports the incremental working capital requirement of the company.

The rating reflects the strong operational and financial support Sekisui receives from its JV partners, established relationships with key customers, diversified product portfolio and robust financial risk profile. These strengths are partially offset by exposure to customer concentration in revenue and susceptibility to competition and pricing pressure from OEMs.

Analytical Approach

Crisil Ratings has factored in strong support to Sekisui from its largest shareholder, Sekisui Chemicals Co Ltd, Japan (SCCL).

Key Rating Drivers & Detailed Description

Strengths:

Strong financial and operational support from JV partners: The JV partners, SCCL and DLJM Advisors LLP, have extensive experience in the plastic injection-moulding business. The established relationships of SCCL with OEMs, especially Yamaha Motor (P) Ltd (Yamaha) and Honda Motorcycle & Scooters (P) Ltd (Honda), will continue to aid Sekisui in obtaining orders. SCCL supports Sekisui in designing moulds and enhancing operational efficiency and has also provided financial support by way of unsecured loans. The established position of DLJM in the domestic injection-moulding industry will continue to support Sekisui's business risk profile.

Established relationships with key customers and diversified product portfolio resulting in improved business risk profile: The top two clients account for around 65% of the total revenue, and established ties with them support the business. In fiscal 2025, the company added new customers to its portfolio in the four-wheeler segment by developing exclusive auto components to mitigate revenue concentration risk and expand its market presence. This is reflected in increase in revenue to estimated Rs 600 crore (Rs 451 crore till December 31, 2024) in fiscal 2025 as compared to Rs 524 crore in the previous fiscal. In fiscal 2026, the company will also start exporting its products to Italy, followed by Brazil and Canada, supporting future growth in scale of operations. The company caters to the two- and four-wheeler segments and its products include rear fenders, lamp covers, wind screens, internal door handles, mud guards, cross wave, air vents and window regulators. The diversified product profile, healthy demand from the auto sector, established relationships with OEMs and customer dependence will continue to support the business. In fiscal 2025, the company developed the latest products to acquire new customers as well as cater to the demand from new models of existing customers, leading to moderation in operating margin. The operating margin was 13.52% till December 2024 and is estimated to be 15.5-16% for the full fiscal. Subsequently, operating margin is expected to sustain at around 16% over the medium term, supported by the healthy offtake of new products developed by the company, exploration of export opportunities and bottom-line oriented approach of the management.

Robust financial risk profile: Despite continuous capital expenditure (capex), networth is estimated to improve to around Rs 235 crore as on March 31, 2025, against Rs 201.62 crore a year earlier, backed by healthy accretion to reserves. In fiscal 2025, the company undertook capex of Rs 25 crore funded by additional debt of Rs 22 crore for procurement of machinery. Despite the additional debt-funded capex, the capital structure is estimated to remain comfortable. Gearing and TOLTNW ratio are estimated at 0.31 time and 0.70 time, respectively, as on March 31, 2025, as compared to 0.34 time and 0.78 time, respectively, in fiscal 2024, driven by healthy accretion to reserves. The debt protection metrics were robust, with interest coverage and NCAAD ratios of 17.96 times and 0.91 time, respectively, in fiscal 2024 and are estimated to be around 39 times and 0.9 time, respectively, in fiscal 2025 backed by adequate profitability. The financial risk profile is expected to improve in the near to medium term aided by healthy accretion to reserves and the absence of any major debt-funded capex.

Weaknesses:
Customer concentration in revenue: Since the top two customers have contributed 65% to the overall revenue in fiscal 2025, the topline remains vulnerable to their performance. Lower-than-expected order flow or delay in payments could significantly impact the credit risk profile of Sekisui. Though the company has added new and big clients in the two-wheeler and four-wheeler segments over the three fiscals through 2025, customer concentration in revenue will continue to constrain the business over the medium term. The addition of new clients and incremental demand from existing customers will remain monitorable.

Susceptibility to competition and pricing pressure from OEMs: Profitability remains exposed to increasing competition in the auto components segment and pricing pressure from OEMs. The company has moderate flexibility to increase product prices through negotiation with end users if raw material prices increase. With better demand and recovery in economic activity, the performance of the auto industry is likely to improve over the medium term. While Sekisui recorded compound annual growth rate of 13.26% in revenue over the three fiscals through 2024, performance remains vulnerable to economic downturns.

Liquidity: Strong
Expected annual net cash accrual of Rs 65-75 crore will be adequate to meet yearly debt obligation of Rs 20-35 crore in fiscals 2025-2027 and support liquidity. Furthermore, bank limits remained unutilised over the 12 months ended December 31, 2024. The current ratio was moderate at 1.41 times as on March 31, 2024.

Outlook: Stable
Sekisui will continue to benefit from its established clientele and the extensive experience of its JV partners in the injection-moulding business.

Rating sensitivity factors
Upward factors
- Sustained diversification in customer profile, increase in revenue by more than 25% along with sustenance of operating margin at 17-18%, leading to higher cash accrual
- Sustenance of robust financial risk profile

Downward factors
- Decline in revenue by over 20% and operating margin falling below 12%, impacting the overall cash accrual of the company
- Any major debt-funded capex weakening the financial risk profile, including liquidity

About the Company
Incorporated in 2011, Sekisui is a 51:49 JV between SCCL and DLJM Advisors LLP, respectively. The company manufactures plastic injection-moulded parts for the auto industry, mainly for two- and four-wheelers. It caters to Yamaha and Honda in India and undertakes job work for DLJM.

The JV was established after DLJM divested its 51% stake (through a slump sale) in two units. One unit is at Tapukara in Rajasthan and has an installed capacity of 1,645 tonne per annum (TPA). It started commercial production in June 2011. The other unit is at Ecotech III, Greater Noida, and has installed capacity of 2,300 TPA. It started commercial production in May 2010. Sekisui has presence in Greater Noida (one mould and one paint shop), Tapukara (one mould shop), Gujarat (one mould shop) and Chennai (two mould shops, two paint shops and one plating unit).

SCCL is a diversified conglomerate with interests in chemical products, housing, high-performance plastics, urban infrastructure and environmental products. It is headquartered in Osaka, Japan, and has global presence. DLJM manufactures injection-moulded and blow-moulded plastic components, which are used in the consumer durables and auto industries.

Key Financial Indicators

As on / for the period ended March 31		2024	2023
Operating income	Rs crore	524.07	472.60

Reported profit after tax	Rs crore	44.33	24.76
PAT margins	%	8.46	5.24
Adjusted Debt/Adjusted Net worth	Times	0.34	0.61
Interest coverage	Times	17.96	6.14

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Cash Credit	NA	NA	NA	10.00	NA	Crisil A+/Stable

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	10.0	Crisil A+/Stable		--	18-01-24	Crisil A/Stable		--	21-10-22	Crisil A-/Stable	Crisil A-/Stable

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	10	MUFG Bank Limited	Crisil A+/Stable

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)
Criteria for factoring parent, group and government linkages

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