

Diversified machinery

Industry Code (as per CMIE Prowess): 0101014050000000'

June 2022

Overall Industry Risk Score: **12/20 | Marginally Favourable**

Sample Size: 5 Companies

Median Rating Value of sample size: A-

Individual Parameters Contributing to the Score

Demand & Supply Balance



12/20

DS Equilibrium

With moderation in capital expenditure by the corporate sector over the last 2 years, there has been a significant impact on the order book of machinery manufacturers. To boost fresh investments in the manufacturing sector the Government has offered PLI incentive programme, low interest rates & availability of adequate systemic liquidity. The industry reported y-o-y 10.2% growth in its sales revenue from Rs.30.9 billion in December 2020 quarter to Rs.34.1 billion for the quarter ended December 2021. As per the OBICUS survey, the capacity utilisation of industry was around 72.4% for Q3FY22 as against 68.3% for Q2FY22.

Extent of Competition



12/20

Neutral

The industry is driven by significant capital investment and continuous upgradation requirements due to technology obsolescence. This increases entry barriers for newer players and reduces the extent of competition. Traditionally, large and vintage players exist in this sector as they enjoy pricing power domestically. Cheaper imports from China and Taiwan are the biggest threat to domestic players.

Regulatory Risk



12/20

Predictable Regulatory environment

There is no significant regulatory risk threatening the industry. The rationalization of imports of certain machinery that is part of 'import restriction list' may be beneficial for the industry.

Input related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Since the value chain significantly includes imports from China, logistical challenges will continue to remain as seen during the pandemic. This industry is also vulnerable to exchange rate movement. The ongoing recovery in metal prices can increase raw material cost in the near term and may put pressure on operating margins.