

December 26, 2024

Automotive Axles Limited - Update on material event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long Term - Fund based – Term loan	10.00	10.00	[ICRA]AA-(Stable)
Long-term/ Short-term –Fund-based/ Non-fund Based Limits	190.00	190.00	[ICRA]AA-(Stable)/ [ICRA]A1+
Total	200.00	200.00	

*Instrument details are provided in Annexure-I

Rationale

Material Event

On December 16, 2024, Automotive Axles Limited (AAL) informed the stock exchanges that the shareholders (with ~79.5% votes against the resolution) have rejected AAL’s proposal for related party transactions worth Rs. 2,500 crore with Meritor HVS (India) Limited (MHVSIL) for FY2026. MHVSIL is a joint venture (JV) between Meritor Heavy Vehicle Systems LLC (MHVS USA) and Bharat Forge Limited (BFL), which are also the promoters of AAL.

MHVSIL is engaged in new product design and testing, and marketing of axles and brakes for commercial, off-highway and defence applications. As per the current structure, AAL manufactures these products and major portion of the Company’s product sales are directed towards MHVSIL, which in turn markets the same to various OEMs in India and outside India. According to the management, MHVSIL has also brought in customers and technical know-how which has helped expand AAL’s business over the years.

Impact of material event

In FY2024, AAL’s ~78.5% of sales were routed through MHVSIL. ICRA understands that the company is currently exploring an alternative route for facilitating sales to its customers without any material disruption to its operations. ICRA has noted the above event and will continue to monitor any development on the same and take appropriate rating action, if necessary.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of AAL.

About the company

Incorporated in 1981, Automotive Axles Limited is a joint venture between MHVS USA and BFL, with the JV partners holding 35.52% stake each. In February 2022, Cummins Inc. (rated Moody's A2) acquired 100% stake in Meritor, making AAL an indirect JV of Cummins Inc.

AAL is currently the largest independent manufacturer of rear drive axle assemblies for CVs (primarily M&HCVs) in India. Its product portfolio includes a wide range of axles catering to haulage trucks, tippers, tractor trailers and other off-highway vehicles used for special purposes. The company also supplies drum and disc brake assemblies for trucks, trailers, buses and coaches; and is the second largest brake manufacturer in India after Brakes India Private Limited. With manufacturing plants at Mysore (Karnataka), Pantnagar (Uttarakhand), Jamshedpur (Jharkhand) and Hosur (Tamil Nadu).

Key financial indicators (audited)

AAL Standalone	FY2023	FY2024	H1FY2025*
Operating income	2,323.7	2,229.2	987.2
PAT	162.0	166.2	70.0
OPBDIT/OI	11.1%	11.2%	10.1%
PAT/OI	7.0%	7.5%	7.1%
Total outside liabilities/Tangible net worth (times)	0.5	0.4	0.4
Total debt/OPBDIT (times)	0.3	0.2	0.1
Interest coverage (times)	88.8	93.7	60.0

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
				Type	Amount Rated (Rs Crore)	Dec 26, 2024	Date	Rating	Date
Term Loan	Long Term	10.00	[ICRA]AA-(Stable)	Jan 23, 2024	[ICRA]AA-(Stable)	Mar 03, 2023	[ICRA]AA-(Stable)	Feb 28, 2022	[ICRA]A+(Stable)
				May 26, 2023	[ICRA]AA-(Stable)			Oct 20, 2022	[ICRA]A+(Stable)
Fund based	Long Term							Feb 28, 2022	[ICRA]A+(Stable)
								Oct 20, 2022	[ICRA]A+(Stable)

Non-Fund based	Short-term							Feb 28, 2022	[ICRA]A1+
								Oct 20, 2022	[ICRA]A1+
Fund based/ Non-fund-based limits	Long-term/ short-term	190.00	[ICRA]AA-(Stable)/ [ICRA]A1+	Jan 23, 2024	[ICRA]AA-(Stable)/ [ICRA]A1+	Mar 03, 2023	[ICRA]AA-(Stable)/ [ICRA]A1+	-	-
				May 26, 2023	[ICRA]AA-(Stable)/ [ICRA]A1+			-	-
Unallocated	Long-term					Mar 03, 2023	[ICRA]AA-(Stable)	Feb 28, 2022	[ICRA]A+(Stable)
								Oct 20, 2022	[ICRA]A+(Stable)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long Term - Fund based – Term loan	Simple
Long-term/ Short-term –Fund-based/ Non-fund Based Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	FY2019	9.42%	FY2026	10.00	[ICRA]AA-(Stable)
NA	Fund based/ Non fund based limits	NA	NA	NA	190.00	[ICRA]AA-(Stable)/[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis – Not applicable

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