

April 30, 2025

Mukand Sumi Special Steel Limited: Rating reaffirmed and assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Action
Long-term Fund-based Term Loan	312.00	290.00	[ICRA]A (Stable); reaffirmed
Long-term Fund-based Cash Credit	200.00	370.00	[ICRA]A (Stable); reaffirmed and assigned for enhanced amount
Total	512.00	660.00	

*Instrument details are provided in Annexure I

Rationale

The rating continues to derive comfort from the strong parentage of Mukand Sumi Special Steel Limited (MSSSL), which is a 51:49 joint venture (JV) between Bajaj Group¹ and Sumitomo Corporation (SC; rated Baa1/Stable by Moody's). ICRA expects the Bajaj and Sumitomo group to be willing to extend financial support to MSSSL, should there be a need. The rating favourably factors in the extensive track record of the promoter groups in the automotive industry, through which the company enjoys a healthy market share in products of critical application in the said industry and has a reputed customer base with a proven track record of repeat business. MSSSL has witnessed a significant surge in earnings from FY2024 onwards supported by healthy demand from the end-user industries, an increase in the share of value-added products, lower conversion costs (owing to ramp-up of production at technologically efficient own rolling mill in Hospet) and improvement in product spreads. While the operating profits are estimated to have declined by around 11-12% YoY in FY2025, they still remain healthy at an absolute level. Improved cash flows has aided in sizeable debt reduction with the total debt declining by 56% to around Rs.409 crore as on March 31, 2025 from around Rs.922 crore as on March 31, 2022. The interest coverage and Total Debt/OPBDITA has consequently improved to an estimated 9.7 times and 1 times in FY2025 from 3.5 times and 3.5 times respectively in FY2022. The ratings also take into account MSSSL's location specific advantages with its manufacturing unit being located at Hospet (Karnataka) which is well connected to the auto OEM cluster in Chennai by NH48.

The ratings are, however, constrained by MSSSL's exposure to the cyclicity inherent in the automotive industry (which accounts for 80-85% of the total sales) and to volatility in raw material prices (which account for ~80% of its total operating expenses). The company will be undertaking a large capex programme accumulating around Rs.2600-2700 crore towards setting up a 0.4 million tonne per annum (mtpa) greenfield steel manufacturing plant spread over FY2026-FY2028. The capex plans, which are large vis-à-vis MSSSL's current balance sheet size, exposes the company to operational and execution risks. Such risks get accentuated, given MSSSL's lack of track record of setting up a greenfield steel plant where execution risks remain elevated. Besides the long gestation period, if the project commissioning coincides with a cyclical downturn in the sector, the capacity ramp-up could potentially get delayed. Given the limited availability of billets, which constrains MSSSL's rolling mill capacity utilisation levels, the steel manufacturing operations, once commissioned, will address the supply bottlenecks besides improving margins and hence remains RoCE accretive following ramp-up in operations. The capex will be funded by a mix of debt and equity (including planned fresh equity infusion of around Rs.780 crores), thus increasing the indebtedness of the company and a subsequent moderation of credit indicators from the prevailing levels.

¹ Bajaj Group holding in MSSSL comprises Jamnalal Sons Private Limited (49.71%) and Baroda Industries Private Limited (1.29%)

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that the credit profile of MSSSL is expected to remain comfortable supported by stable automotive demand, its established customer base, and healthy product spreads.

Key rating drivers and their description

Credit strengths

Healthy financial flexibility for being a part of Bajaj and Sumitomo Groups – MSSSL was incorporated in FY2018 as a 51:49 JV between Bajaj and Sumitomo group. MSSSL enjoys healthy financial flexibility, along with operational and financial support for being a part of the Bajaj and Sumitomo Groups. ICRA also expects the Bajaj and Sumitomo group to be willing to extend financial support to MSSSL, should there be a need.

Reputed clientele and extensive track record of promoter groups in the auto industry – MSSSL's product portfolio comprises round cornered square (RCS), round (RND), wire rod (WRD) and straightened wire rod (STW). These products find application in the automotive industry. MSSSL's top customers are reputed auto ancillary manufacturers. MSSSL is the sole supplier of products in critical applications like engine parts, transmission, suspension spring, bearings etc. for 30-40% of its customers and enjoys a healthy market share in this segment. The rating also derives comfort from the extensive track record of its promoter groups in the auto industry. While the Bajaj Group, through Bajaj Auto Limited, enjoys a healthy market share in the domestic two-wheeler and three-wheeler segments, the Sumitomo Group has presence in the automotive design and development segment.

Location-specific advantages – MSSSL's manufacturing unit which houses the rolling mill is located at Hospet (Karnataka) which is well connected to the auto OEM cluster in Chennai by NH48. Besides, its proximity to ML's billet manufacturing facility at Hospet, which is its sole supplier, results in savings in freight inward costs.

Surge in earnings from FY2024 leading to improvement in financial profile – MSSSL has witnessed a significant surge in earnings from FY2024 onwards supported by healthy demand from the end-user industries, an increase in the share of value-added products, lower conversion costs (owing to ramp-up of production at technologically efficient own rolling mill in Hospet) and improvement in product spreads. While the operating profits are estimated to have declined by around 11-12% YoY in FY2025, they still remain healthy at an absolute level. Improved cash flows has aided in sizeable debt reduction with the total debt declining by 56% to around Rs.409 crore as on March 31, 2025 from around Rs.922 crore as on March 31, 2022. The interest coverage and Total Debt/OPBDITA has consequently improved to an estimated 9.7 times and 1 times in FY2025 from 3.5 times and 3.5 times respectively in FY2022.

Credit challenges

Sizeable capex and associated risks; can lead to moderation of credit indicators somewhat – The company will be undertaking a large capex programme accumulating around Rs.2600-2700 crore towards setting up a 0.4 mtpa greenfield steel manufacturing plant spread over FY2026-FY2028. The capex plans, which are large vis-à-vis MSSSL's current balance sheet size, exposes the company to operational and execution risks. Besides the long gestation period, if the project commissioning coincides with a cyclical downturn in the sector, the capacity ramp-up could potentially get delayed. Given the limited availability of billets, which constrains MSSSL's rolling mill capacity utilisation levels, the steel manufacturing operations once commissioned will address the supply bottlenecks besides improving margins and hence remains RoCE accretive following ramp-up in operations. The capex will be funded by a mix of debt and equity (including fresh equity of around Rs.780 crores), thus increasing the indebtedness of the company and subsequent moderation of credit indicators.

Exposure to cyclical risk associated with auto industry – The automotive sector accounts for 80-85% of MSSSL's total sales every year. Dependence on the automotive sector exposes the company to the cyclical nature of the industry. Muted demand from the auto sector had led to a steep revenue fall and a sharp decline in operating margins in FY2020. Consequently, its cash flows and margins remain exposed to the cyclical risk inherent in the automotive sector.

Exposure to volatility in raw material prices – The key raw material for MSSSL is alloy steel billet. The prices of billet depend on iron ore and coke prices, which in turn have exhibited sharp volatility in the past. While any major fluctuation in prices can be passed on to the customers with a lag, the company would remain exposed to volatility in raw material prices in case of weak demand.

Liquidity position: Adequate

MSSSL's had undrawn working capital lines of around Rs. 118 crores as on March 31, 2025 and retained cash flows are estimated at around Rs.300-315 crores in FY2026 against which it had debt repayments of around Rs.60 crore. However, with the capital deployment in the greenfield steel project expected to gather pace going forward, the company's free cash flows are expected to remain negative going forward over the medium term. Consequently, MSSSL's liquidity profile has been assessed as adequate.

Rating sensitivities

Positive factors - ICRA could upgrade MSSSL's rating if there is a substantial growth in its scale of operations and profits, leading to a sustained improvement in credit metrics and liquidity position.

Negative factors - Pressure on MSSSL's rating could arise if there is any weakening in linkages with the Bajaj and Sumitomo Groups. Any sharp decline in revenues and/or profits or any large unanticipated debt-funded capex/investment, which results in sustained weakening of its credit metrics and/or the liquidity position would also be a negative factor. Specifically, MSSSL's debt-to-operating profit ratio remaining above 2.5 times on a sustained basis, would be a negative trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Iron & Steel
Parent/Group support	JV partners – Bajaj Group (51%) and SC (49%); MSSSL's rating factors in the high likelihood of its JV partners extending financial support to it, as and when required.
Consolidation/Standalone	Standalone

About the company

MSSSL manufactures alloy steel bars and wire rods, which find applications in automotive and engineering industries. MSSSL was incorporated by amalgamation of alloy steel rolling and finishing business of ML into Mukand Alloy Steels Private Limited (MASPL) in FY2018. Post the amalgamation, SC in FY2019, acquired a 49% stake in MSSSL for Rs. 1,181 crore. In December 2020, the Competition Commission of India (CCI) approved the acquisition of ML's share by JSPL. The acquisition was completed in April 2021. MSSSL was earlier operating from its 5,00,000-metric tonne per annum (MTPA) Kalwe unit in Thane (Maharashtra). However, in August 2021, the company shifted its manufacturing activities entirely to Hospet (Karnataka) by commissioning a new 4,00,000-MTPA facility. From August 2022, the alloy steel business of MSMPPL was merged into MSSSL.

Key financial indicators (audited)

MSSSL Standalone	FY2023	FY2024
Operating income	2,976.6	2,837.3
PAT	42.3	208.6
OPBDIT/OI	9.3%	16.6%
PAT/OI	1.4%	7.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	2.7	0.9
Interest coverage (times)	3.2	8.2

Source: Company, ICRA Research; 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

Current (FY2026)					Chronology of rating history for the past 3 years					
FY2026					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based Term Loan	Long-term	290.00	Apr 30, 2025	[ICRA]A (Stable)	-	-	Jan 05, 2024	[ICRA]A (Stable)	Oct 20, 2022	[ICRA]A- (Stable)
Fund-based Cash Credit	Long-term	370.00	Apr 30, 2025	[ICRA]A (Stable)	-	-	Jan 05, 2024	[ICRA]A (Stable)	Oct 20, 2022	[ICRA]A- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based Term Loan	Simple
Long-term Fund-based Cash Credit	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 analysing 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 are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term Fund-based Term Loan	NA	NA	FY2028	290.00	[ICRA]A (Stable)
NA	Long-term Fund-based Cash Credit	NA	NA	NA	370.00	[ICRA]A (Stable)

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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Branches



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