

May 05, 2025

## SML Isuzu Limited: Long-term rating placed on watch with positive implications

### Summary of rating(s) action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term loans	53.04	53.04	[ICRA]AA-; placed on rating watch with positive implications
Long-term Fund-based – Cash credit	210.00	210.00	[ICRA]AA-; placed on rating watch with positive implications
Short-term – Fund based working capital	380.00	380.00	[ICRA]A1+; outstanding
<b>Total</b>	<b>643.04</b>	<b>643.04</b>	

\*Instrument details are provided in Annexure I

### Rationale

#### Material event:

The board of directors of SML Isuzu Limited (SML), in their meeting held on April 26, 2025, provided in-principal approval for the following transactions:

- Mahindra & Mahindra Limited (M&M) has entered into a share purchase agreement to acquire 6,362,306 equity shares representing 43.96% of the equity share capital of SML from Sumitomo Corporation (Sumitomo), subject to satisfaction of customary conditions precedent (including, but not limited to, receipt of approval from Competition Commission of India (“CCI”). The total consideration for the purchase is ~Rs. 414 crore.
- M&M has also entered into a share purchase agreement to acquire 2,170,747 equity shares representing 15% of the equity share capital of SML from Isuzu Motors Limited, Japan (Isuzu), subject to satisfaction of customary conditions precedent (including, but not limited to, receipt of approval from Competition Commission of India (“CCI”). The total consideration for the purchase is ~Rs.141 crore.
- The overall stake acquisition for M&M from Sumitomo and Isuzu will be for their entire combined stake of 59%.

The transactions remain subject to requisite stakeholder/regulatory approvals and also comes alongside an open offer by M&M to acquire an additional 26% stake in SML Isuzu Limited from public shareholders at Rs. 1554.6 per share, amounting to Rs. 585 crore if fully subscribed.

### Impact of the material event

The long-term rating for SML Isuzu has been placed on watch with positive implications as the aforesaid development is likely to have a favourable impact on the credit profile of SML Isuzu, the extent of which would be ascertained over a period of time, given the nascent stage of developments and the dependence on various stakeholder/regulatory approvals and market dynamics. The change in ownership of the entity to M&M, when it materialises, is likely to aid SML’s product development/network expansion plans over the medium term, aided by M&M’s well-established position in the automotive sector. Accordingly, the developments are expected to be a credit positive in ICRA’s view. ICRA would continue to monitor the developments related to the transaction/open offer, and take appropriate rating action, post analysing the impact of the same on SML Isuzu’s credit profile.

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

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Commercial vehicles</a>
Parent/Group support	Parent Company: Sumitomo Corporation, Japan. ICRA expects the parent entity, Sumitomo Corporation (a 43.96% stake) to be willing to extend financial support to SML out of its need to protect its reputation from the consequences of a group entity's distress. The Managing director and three other board members of SML are representatives of Sumitomo Corporation.
Consolidation/Standalone	Standalone

## About the company

Incorporated in 1983, SML Isuzu Limited (formerly Swaraj Mazda Limited) is a commercial vehicle OEM with a healthy market position in the school bus segment. It operates in the light commercial vehicle (LCV) and medium commercial vehicle (MCV) segments of the automobile industry and has a product portfolio comprising buses, trucks (including tippers) and specific application vehicles. The company has a manufacturing facility at Nawanshahar, Punjab, with a production capacity of 24,000 units per annum.

The company was set up as Swaraj Vehicles Limited for manufacturing LCVs and was promoted by Punjab Tractors Limited (PTL) in technical and financial collaboration with Mazda Motor Corporation, Japan, and Sumitomo Corporation, Japan. However, the technical collaboration agreement with Mazda expired in 2004 and Mazda exited by selling off its stake to Sumitomo Corporation. Around the same time, SML entered into a technical collaboration agreement with Isuzu Motors, Japan. Sumitomo Corporation and Isuzu Motors own 43.96% and 15.00% stake, respectively, in the company.

**Sumitomo Corporation:** Sumitomo Corporation, headquartered in Tokyo, is one of Japan's largest trading companies, and a core member of the Sumitomo Group. The firm's total assets as of March 31, 2024, amounted to ¥11 trillion. The company trades and invests in a wide range of sectors and classifies its businesses under six business segments: (1) metal products; (2) transportation and construction systems; (3) environment and infrastructure; (4) media and digital; (5) living related goods and services & real estate, and (6) mineral resources, energy, chemical and electronics. The Group has multiple investments in India in the automotive and other industrial segments.

**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)	May 05, 2025	Date	Rating	Date	Rating	Date	Rating
Long term Fund based – Term Loan	Long Term	53.04	[ICRA]AA- Rating watch with positive implications	Sep 06, 2024	[ICRA]AA- (Stable)	Aug 14, 2023	[ICRA]A+ (Stable)	Aug 01, 2022	[ICRA]A+ (Negative)
			-	-	-	-	-	Jul 18, 2022	[ICRA]A+ (Negative)
Long term Fund based – Cash Credit	Long Term	210.00	[ICRA]AA- Rating watch with positive implications	Sep 06, 2024	[ICRA]AA- (Stable)	Aug 14, 2023	[ICRA]A+ (Stable)	Aug 01, 2022	[ICRA]A+ (Negative)
			-	-	-	-	-	Jul 18, 2022	[ICRA]A+ (Negative)
Short-term – Fund-based working capital	Short Term	380.00	[ICRA]A1+	Sep 06, 2024	[ICRA]A1+	Aug 14, 2023	[ICRA]A1	Aug 01, 2022	[ICRA]A1
			-	-	-	-	-	Jul 18, 2022	[ICRA]A1

## Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term fund-based – Term Loan	Simple
Long-term fund-based – Cash Credit	Simple
Short-term – Fund-based working capital	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](https://www.icra.in)

## Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term Loan-I	May 2022	NA	April 2025	3.65	[ICRA]AA- Rating watch with positive implications
NA	Term Loan-II	October 2021	NA	March 2025	1.08	[ICRA]AA- Rating watch with positive implications
NA	Term Loan-III	October 2022	NA	December 2025	6.75	[ICRA]AA- Rating watch with positive implications
NA	Term Loan-IV	March 2023	NA	January 2028	41.56	[ICRA]AA- Rating watch with positive implications
NA	Cash Credit	NA	NA	NA	210.00	[ICRA]AA- Rating watch with positive implications
NA	Short-term – Fund based Limits	NA	NA	NA	380.00	[ICRA]A1+

Source: Company; % = Placed on watch with positive implications

[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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