

May 21, 2025

## HMC MM Auto Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term – Fund based / Non-fund-based limits	40.00	40.00	[ICRA]A1+ reaffirmed
<b>Total</b>	<b>40.00</b>	<b>40.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reaffirmation of HMC MM Auto Limited (HMC MM) continues to factor in the steady operational performance, aided by its strong parentage, as the company is a 60:40 joint venture (JV) between Hero MotoCorp Limited (HMCL, rated [ICRA]AAA(Stable)/[ICRA]A1+) and Marelli Europe S.p.A. (Marelli; erstwhile Magneti Marelli S.p.A.). ICRA notes the company's strategic importance to HMCL as a supplier of electronic fuel injection (EFI) systems. The company derives technical support from Marelli, a leading player in EFI systems for two-wheelers (2Ws) globally. In addition to lending significant financial flexibility to HMC MM as a parent entity, HMCL remains the company's key customer, offering steady business volumes as well as insights into technology adaptation suited to Indian conditions.

The company's financial risk profile has improved in the recent past, aided by the addition of new models, cost optimisation measures and an increased scale of operation. HMC MM has a 100% share of business for four models of HMCL and gained a partial share of business (SOB) in supplies for some additional models in the past two years. Supported by the increase in supplies for these models, HMC MM sold 10.4 lakh units in FY2025 against 7.9 lakh units in FY2024. The addition of supplies for new models is expected to boost revenue growth in the medium term.

Further, the company remains strategically important to HMCL as the latter maintains management and operational control over it. HMC MM is expected to supply 18-20% of HMCL's EFI requirement. Therefore, with HMCL's market leadership position in the 2W industry as well as expected improvement in demand prospects for 2Ws over the medium term, HMC MM's business prospects remain healthy.

The ratings also factor in HMC MM's access to financial support from both the JV partners, as evident from the periodic equity infusion into the company and provide comfort. During the last fund infusion, HMCL brought in Rs. 15 crore in FY2024 and Marelli brought in Rs. 10 crore in FY2025, which helped the company in reducing its debt obligations (total debt, excluding lease liabilities, reduced to ~Rs. 82 crore as of March 2025).

The rating, however, remains constrained by customer and product concentration risks, as HMC MM derives most of its revenues from the supply of a single product to a single customer. Additionally, HMC MM will be vulnerable to product obsolescence risk over the medium to long term, given the increasing shift in customer preference from conventional 2Ws to electric 2Ws. The customer concentration risk is primarily mitigated by HMCL's dominant position in the Indian 2W motorcycle market, and the original equipment manufacturers' (OEM) need to be compliant with BS-VI emission norms with respect to its products. Going forward, the ratings would depend on the timely increase in HMC MM's volumes. ICRA would continue to monitor the company's planned scale-up of production and the same would remain critical for capex requirements for subsequent phases of localisation.

## Key rating drivers and their description

### Credit strengths

**Demonstrated operational and financial support from HMCL and Marelli** – HMC MM is a 60:40 JV between HMCL and Marelli. While parentage from Marelli helps the company in the aspects of technical know-how and product development (Marelli is a leading player in 2W EFI technology), HMCL's presence assures healthy revenue visibility for the company. The JV partners have supported HMC MM financially through equity infusion in the past (Rs. 25 crore received in the latest round of funding support over FY2024 and FY2025). The JV partners will continue to support HMC MM in case of any requirements of funds.

**Strategic importance to HMCL to support business growth** – HMC MM is a key supplier of EFIs to HMCL, with the latter having management control. Pursuant to the transition of the Indian 2W market to BS-VI emission norms (from April 2020), which mandates the use of EFI systems by 2Ws, HMCL's investment in HMC MM gained strategic importance. The ramp-up for BS-VI compliant vehicles has resulted in strong revenue visibility for HMC MM (albeit the decline in scale on a YoY basis due to weak demand in the industry). Aided by gain of business for new models, the company's share of business in supplies of EFI to HMCL has increased to ~18% in FY2025 (from 14% in FY2024 and 9% in FY2023). HMC MM continues to enjoy the right to service other OEMs as well (given the absence of any restriction on the JV to supply to other OEMs as per the JV agreement).

### Credit challenges

**Financial profile remains constrained by debt-funded capex incurred; expected to gradually improve, going forward** – The company has largely completed its planned capex for capacity expansion and indigenisation of parts. The outstanding term debt of Rs. 20.0 crore was paid off in FY2025 and thus the company now has only working capital limits and lease liabilities in the debt structure. During the nascent stage of operations, periodic equity infusion from parent entities supported HMC MM's capital structure (~Rs. 105 crore since the start of the company's operations) and the JV partners are likely to continue to support the entity, going forward. Further, a scale-up in profitability and/or need-based timely support from promoters would remain a key rating sensitivity, going forward.

**Exposed to significant product and customer concentration risks** – Given its dependence on a single product (EFI systems for 2Ws) for revenues, any delay in design approvals for new 2W models or unanticipated changes in any emission regulations, could adversely impact ramp-up of HMC MM's operations. Further, the company remains dependent on a favourable 2W industry demand as well as on HMCL for most of its revenues. The customer concentration risk is partially mitigated by the fact that HMCL is the principal JV partner and the market leader in the Indian 2W industry (especially motorcycle segment).

**Vulnerable to structural transition to electric vehicles over medium-to-long term** – In the recent years, the 2W industry has been witnessing a gradual shift from conventional, internal combustion-based technology towards battery powered mobility solutions. While EFI is a critical component for conventional 2Ws, the battery technology will render the same obsolete. Thus, HMC MM remains exposed to product obsolescence risk due to the ongoing structural shift in customers' preferences towards EVs over the medium-to-long-term.

### Liquidity position: Adequate

HMC MM's liquidity is likely to remain adequate, supported by expectation of steady operational cash flows (Rs. 30-35 crore/annum) and buffer in the sanctioned working capital limits (~Rs. 78 crore as of March 2025). The company has no material capex plans over the near term and no repayment obligations in the absence of term debt. ICRA also takes comfort from the track record of timely funding support by the JV partners to meet any funding gap. ICRA expects HMC MM's strategic importance to HMCL and financial flexibility with its lenders (because of its strong parentage) to continue supporting its refinancing options.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Pressure on the company’s rating could arise due to any weakening in the credit profile of the parent company, HMCL, or any adverse change in HMC MM’s ownership structure, or its reduced strategic importance to HMCL. Further, a material reduction in the scale of operations or cash flow generation and lack of timely and adequate financial support from the promoters could also trigger a rating revision.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Auto Components</a>
Parent/Group support	The reaffirmed rating of HMC MM factors in the very high likelihood of its promoter entity, HMCL, extending financial support to it because of its strategic importance and close business linkages. ICRA also expects the promoter entity to be willing to extend financial support to HMC MM out of its high reputation sensitivity.
Consolidation/Standalone	Standalone

## About the company

Incorporated in November 2013, HMC MM Auto Limited is a 60:40 JV between Hero Motocorp Limited (owning a 60% stake) and Marelli Europe S.p.A (owning a 40% stake; erstwhile Magneti Marelli S.p.A). The company is involved in designing, developing, and manufacturing of electronic fuel injection systems, its sub-assemblies, and related components. The agreement between the two JV partners was executed on November 11, 2013, and the company commenced commercial operations from April 2016. HMC MM’s product range includes EFI systems, featuring mechatronic integrated unit (MIU) systems, and state of the art ride-by-wire (RBW) systems (for higher engine capacity) covering across 2Ws. The company’s sole plant is in Manesar, Haryana, with a manufacturing capacity of ~2.2 million units per annum (as of March 31, 2025).

## Key financial indicators (audited)

HMC MM	FY2023	FY2024
Operating income	267.7	376.5
PAT	(10.2)	3.3
OPBDIT/OI	5.3%	9.4%
PAT/OI	-3.8%	0.9%
Total outside liabilities/Tangible net worth (times)	15.2	5.8
Total debt/OPBDIT (times)	11.2	3.2
Interest coverage (times)	1.4	2.4

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 year (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May-21-2025	Date	Rating	Date	Rating	Date	Rating
Fund/Non fund based limits	Short term	40.00	[ICRA]A1+	Jun-04-2024	[ICRA]A1+	Jun-14-2023	[ICRA]A1+	May-05-2022	[ICRA]A1+

## Complexity level of the rated instruments

Instrument	Complexity indicator
Fund/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 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	Fund based/ Non-fund based limits	NA	NA	NA	40.00	[ICRA]A1+

Source: Company

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

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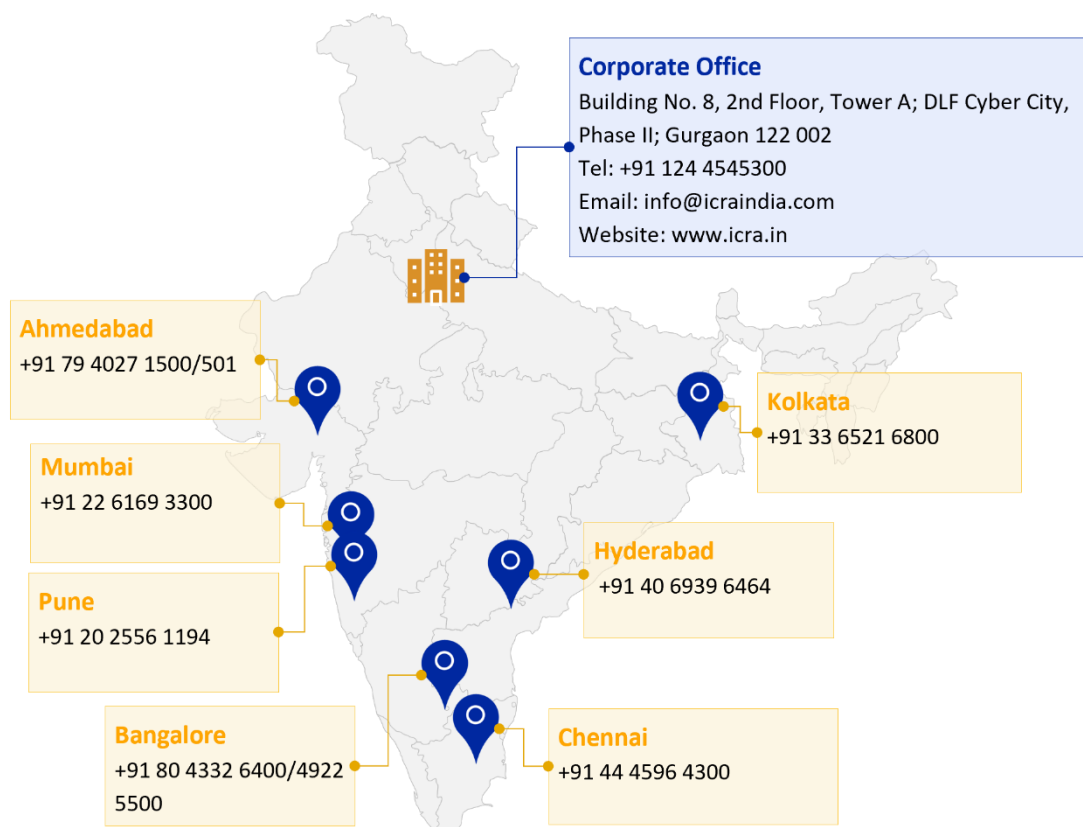
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