May 26, 2025

Caparo Maruti Limited: [ICRA]BB+ (Stable)/ [ICRA]A4+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long Term-Fund Based-Term Loan	5.70	[ICRA]BB+ (Stable); Assigned
Long Term-Fund Based-Working Capital Term Loan	13.70	[ICRA]BB+ (Stable); Assigned
Short Term-Fund Based-Bills Discounting	80.00	[ICRA]A4+; Assigned
Short Term-Interchangeable-Others	(20.00)	[ICRA]A4+; Assigned
Short Term-Non Fund Based-Bank Guarantee	5.00	[ICRA]A4+; Assigned
Short Term-Interchangeable-Letter of credit	(5.00)	[ICRA]A4+; Assigned
Long Term / Short Term-Fund Based/Non Fund Based-Unallocated	2.60	[ICRA]BB+ (Stable)/[ICRA]A4+; Assigned
Total	**107.0**	

**Instrument details are provided in Annexure I*

Rationale

The ratings assigned reflect the established position of Caparo Maruti Limited (CML) as a sheet metal supplier to Maruti Suzuki India Limited (MSIL), the market leader in the passenger vehicle (PV) industry. CML, a joint venture between the Caparo Group (through holding entity, Caparo India Limited (U.K.), which holds 75% stake) and MSIL (holding 25% stake), was set up in 1994 to supply sheet metal components to the original equipment manufacturers (OEMs). Even as the company enjoyed a healthy share of business in supplies to MSIL till FY2016, its operating and financial performance materially deteriorated over FY2017-FY2024, owing to inability of the company to garner new business from MSIL, even as the existing models were discontinued by the OEM. Accordingly, the credit profile of the company materially weakened, characterised by operating losses and erosion of its net worth. A decline in scale of operations impacted the entity's profitability on account of lower fixed cost absorption and absence of business from the new models (which entail higher margins).

ICRA notes that the company has witnessed an improvement in its performance in FY2025 as its top line grew to Rs. 621.2 crore in FY2025 (provisional financials) from around Rs. 507.6 crore in FY2024, representing a growth of 22%. The operating profit margin (OPM) also improved to 2.2% during the fiscal, even as the company continued to suffer net losses. The entity's earnings are expected to gradually improve over the medium term, aided by receipt of new orders for the upcoming models of MSIL and other customers. CML's ability to ramp up its scale of operations (aided by business from new customers) and maintain the desired quality parameters, leading to an improvement in profitability and credit metrics, will remain a key monitorable.

During the downturn in performance, the company's cash flows remained supported by inter corporate deposits (ICDs, which largely do not have fixed repayment terms) and extended credit from the group companies. This helped limit its dependence on the external debt and aided in timely debt servicing. Such support from the Group is expected to continue, going forward, as well. Given the eroded net worth, timely and material recapitalisation of the balance sheet remains a monitorable.

The company remains exposed to cyclicality in the auto sector, and high customer concentration risk as it derives ~90% (direct and indirect) of its top line from MSIL. The company's healthy relationship with MSIL and the latter's leadership in the domestic PV market provide some comfort.

The Stable outlook on the long-term rating reflects ICRA's view that CML will continue to benefit from its experienced promoters in the automotive industry and the company's earnings growth will be supported by new business awarded from its key customers, leading to a gradual improvement in its credit profile.

Key rating drivers and their description

Credit strengths

Established relationship with MSIL – CML has an established relationship with MSIL since its inception in 1994. The company is a tier-one sheet metal stamping, welded assemblies and closures supplier to MSIL and enjoys 12-13% share of business from the OEM for sheet metal components. In FY2025, the company has been awarded fresh orders worth Rs. 190-195 crore for the new models of MSIL including supplies to the latter's new plant in Kharkhoda (Haryana). The impact of the same is likely to be fully reflected in revenues from FY2027. The strong market position of MSIL and launch of new models by it provide comfort regarding CML's revenue growth prospects over the medium term.

Access to financial support from Group companies – The company has received regular financial support from the Group companies over the years in the form of ICDs (outstanding of Rs. 22.3 crore as of March 31, 2025) and extended credit period. The said support aided the working capital cycle and liquidity of CML and has also helped it repay its external debt obligations in a timely manner. These loans from the Group companies are interest free and do not have fixed repayment schedule, barring ICD from a NBFC (Caparo Group's company). The Group entities are expected to continue to extend the support, as and when needed.

Credit challenges

Modest, albeit improving, financial risk profile – The operating and financial risk profiles of the company remained weak over FY2017-FY2024 due to a combination of reasons –lower scale of operations (leading to lower fixed cost absorption), absence of business from high-value new models and higher power costs. The company's net worth completely eroded as of March 31, 2024 due to continued losses on account of low operating margin and higher interest costs. ICRA notes that the company has witnessed an uptrend in its performance in FY2025 as its top line grew by 22% on a YoY basis and its OPM improved to 2.2% in the fiscal, though it continued to report net losses. CML is expected to report a steady improvement, going forward, aided by new orders from the OEMs. A reduction in the external borrowings (as per scheduled repayments) and absence of any major capex requirement along with a gradual improvement in the operating margins are likely to aid the credit metrics, going forward. In addition, its negative working capital cycle is expected to continue to remain supported by extended credit from the Group companies.

Exposure to customer concentration risk – The company derives around 90% of its revenues from MSIL (direct as well as indirect sales), thereby exposing it to customer and segment concentration risk and susceptible to volatility in demand from the OEM. The risk is mitigated to an extent by its long-standing relationship with MSIL and the latter's leadership position in the PV segment. CML also caters to other customers such as JCB (construction equipment segment), Honda Motorcycles (two-wheelers), Perkins (diesel engines), however, these customers contribute a small share to the total revenues. The company's ability to acquire new customers along with obtaining regular orders from its existing customers would remain a monitorable.

Susceptibility to volatility in raw material prices and cyclicality in the automobile industry – CML's profitability remains vulnerable to pricing pressure from the OEMs and fluctuations in prices of its key raw material, steel. It has a raw material price increase pass-through mechanism with customers, which comes with a lag. The company's ability to receive orders for high value premium models of MSIL, which provide higher operating profitability, remains critical for maintaining the margin. Moreover, CML remains exposed to the inherent cyclicality in automobile industry and any sustained downturn in demand in the domestic automobile industry could impact the company's revenue prospects.

Liquidity position: Adequate

CML's liquidity is expected to remain adequate, characterised by free cash and bank balances of Rs. 5-6 crore as of March 2025 and expectation of improving cash flows. Its working capital utilisation remains high with average utilisation of 80-85% in FY2025. The company's repayment obligation stands at Rs. 28.2 crore and has nominal maintenance capex requirement of Rs. 3-4 crore in FY2026. The same are expected to be funded by a mix of debt and internal cash accruals. The company also has access to support from the Group companies, if needed.

Rating sensitivities

Positive factors – The ratings could be upgraded upon a sustained scale-up in revenues while demonstrating an improvement in its margins and debt coverage metrics. Material equity capital infusion by promoters, to address concerns over the existing negative net worth, will also be a positive trigger.

Negative factors – The ratings could witness a downward revision if the company is unable to scale up its earnings, resulting in continued dependence on support from the Group entities to service its debt obligations. Any change in stance of support from the Group companies also remains monitorable.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Caparo Maruti Limited is a joint venture between Caparo India Limited (UK) & MSIL, wherein the former holds a 75% and MSIL holds the remaining 25%. The company is engaged in the business of manufacturing, sale and trading of sheet metal components and allied products for OEMs in the automobile Industry. The entity has two plants (one each in Gurgaon and Bawal in Haryana) and a CED coating unit in Bawal. Its major customer, MSIL, contributes ~90% to the revenues (direct as well as indirect supplies), while some other customers include JCB (leading manufacturer of earthmoving and construction equipment in India), Perkins (provider of diesel engines) and Honda Motorcycles (two wheelers). While CML caters primarily to the PV segment, deriving around 95% of its top line, it also supplies to other segments like CVs, tractors, construction equipment, etc.

Key financial indicators (audited)

Caparo Maruti Limited (Standalone)	FY2024	FY2025*
Operating income	507.6	621.2
PAT	(41.3)	(16.8)
OPBDIT/OI	-1.5%	2.2%
PAT/OI	-8.1%	-2.7%
Total outside liabilities/Tangible net worth (times)	(33.7)	-
Total debt/OPBDIT (times)	(24.2)	10.4
Interest coverage (times)	(0.5)	1.0

*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

Current rating (FY2026)				Chronology of rating history for the past 3 years					
			FY2026	FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 26, 2025	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	5.70	[ICRA]BB+ (Stable)	-	-	-	-	-	-
Working Capital Term Loan	Long Term	13.70	[ICRA]BB+ (Stable)	-	-	-	-	-	-
Fund Based-Bills Discounting	Short term	80.00	[ICRA]A4+	-	-	-	-	-	-
Interchangeable - Letter of credit	Short term	(5.00)	[ICRA]A4+	-	-	-	-	-	-
Interchangeable-Others	Short term	(20.00)	[ICRA]A4+	-	-	-	-	-	-
Non Fund Based-Bank Guarantee	Short term	5.00	[ICRA]A4+	-	-	-	-	-	-
Unallocated	Long Term/Short term	2.60	[ICRA]BB+ (Stable)/[ICRA]A4+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Short Term –Fund Based –Invoice Discounting	Simple
Short-term-Fund based-interchangeable Limits	Simple
Long Term –Fund Based –Working capital term loan	Simple
Short Term –Non-Fund Based –Bank Guarantee	Very Simple
Short Term –Non-Fund Based –Letter of Credit (sub-limit of BG)	Very Simple
Long Term –Fund Based – TL	Simple
Long Term/Short term –Fund Based/Non-fund based-Unallocated	NA

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	FY2024	NA	FY2029	5.70	[ICRA]BB+ (Stable)
NA	Long Term-Fund Based-Working Capital Term Loan- I	FY2024	NA	FY2029	9.20	[ICRA]BB+ (Stable)
NA	Long Term-Fund Based-Working Capital Term Loan- II	FY2024	NA	FY2026	4.50	[ICRA]BB+ (Stable)
NA	Long Term / Short Term-Fund Based/Non Fund Based-Unallocated	NA	NA	NA	2.60	[ICRA]BB+ (Stable)/[ICRA]A4+
NA	Short Term-Fund Based-Bills Discounting	NA	NA	NA	80.00	[ICRA]A4+
NA	Short Term-Interchangeable-Letter of credit	NA	NA	NA	(5.00)	[ICRA]A4+
NA	Short Term-Interchangeable-Others	NA	NA	NA	(20.00)	[ICRA]A4+
NA	Short Term-Non Fund Based-Bank Guarantee	NA	NA	NA	5.00	[ICRA]A4+

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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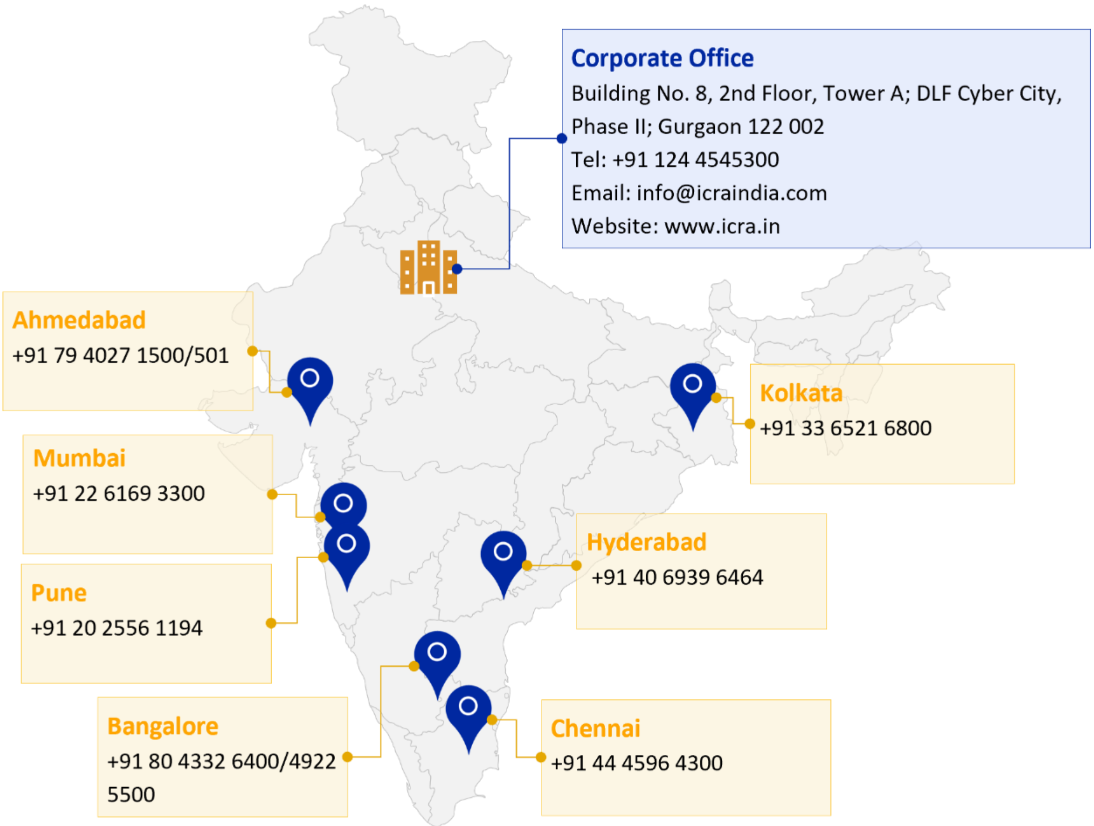

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