June 06, 2025

Motherson Technology Services Limited: Long-term rating upgraded to [ICRA]AA(Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – EPC/CC	7.00	7.00	[ICRA]AA(Stable); upgraded from [ICRA]AA-(Stable)
Short-term – Non-fund based limits	10.00	10.00	[ICRA]A1+; reaffirmed
Long-term/ Short-term – Fund-based/Non-fund based limits	35.00	35.00	[ICRA]AA(Stable)/[ICRA]A1+; Long-term rating upgraded to [ICRA]AA(Stable) from [ICRA]AA-(Stable); short-term rating reaffirmed
Total	**52.00**	**52.00**	

**Instrument details are provided in Annexure I*

Rationale

The long-term rating upgrade factors in the expectation of an improvement in the operational and financial profiles of Motherson Technology Services Limited (MTSL, formerly Motherson Sumi Infotech & Designs Limited), going forward, aided by a steady increase in the scale of operations on the back of healthy growth in business from the Samvardhana Motherson Group. MTSL is a critical entity and drives automation, utility and software development for the companies within the Samvardhana Motherson Group (SMG.; As SMG embarks on growth across geographies, MTSL remains the backbone, providing essential and improved IT support in-house and is likely to benefit from the enhanced IT requirements of the Group. An improved scale of operations (revenues of Rs. 1,136.3 crore in FY2025, a growth of 20% over FY2024) helped MTSL report a higher operating margin of 6.5% (vis-à-vis 1.4% in FY2024) and led to an improvement in its debt coverage metrics. A sustained healthy growth in earnings is likely to help the entity maintain a comfortable credit profile, despite elevated capex plans for setting up a new building.

The ratings continue to factor in favourably the availability of funding support to the entity from its parent, Samvardhana Motherson International Limited (SAMIL; rated [ICRA]AAA(Stable)/[ICRA]A1+). SAMIL, the flagship company of SMG, increased its shareholding in MTSL (92.96% as of March 31, 2025, against 62.9% till FY2023, post infusion of funds via rights issue) in FY2023 and has provided financial support to its Group companies historically. The credit profile of SAMIL has strengthened in the recent past, aided by its established relationships and market position with leading automobile original equipment manufacturers (OEMs) across key markets in North America, Europe and Asia (including India), strong in-house product development capabilities and a wide geographical presence. The company successfully raised funds in Q2 FY2025, which helped strengthen its financial risk profile. In addition to fund infusion via the rights issue, the SMG Group has supported MTSL through inter-corporate deposits (ICDs) in the recent past (Rs. 82.3 crore outstanding as of March 31, 2025). The same has helped fund the company's growth initiatives/operational losses and limit its dependence on external borrowings, thereby providing comfort.

MTSL's dependence on revenues from the domestic and overseas entities of SMG remains high, with 3-5% of its revenues coming from SWS and the remaining 20-25% from non-promoter clients. The company's portfolio of services includes enterprise resource planning (ERP) solutions, IT infrastructure services, application development and maintenance (ADM), cloud services, IoT and analytics. It caters to clients from the automotive, manufacturing, pharmaceuticals and FMCG sectors. The continued business growth registered by SAMIL over the years, aided by several acquisitions, and the resultant enhanced IT application requirements of the Group companies, have aided MTSL's revenue increase. As a result, the company's revenues have increased at a healthy CAGR of 22% over the past five years, recording consolidated revenues of Rs. 1,136.3 crore in FY2025. The company has a diversified presence across 41 locations, including India, the US and Europe.

MTSL's capex plans are expected to remain elevated in the near term, amounting to Rs. 200-250 crore over the next 12-15 months as the company is developing new office premises to support the expected growth in business. The parent group has already infused funds to support the capex plans of the entity, and the debt has also been tied up. As on March 31, 2025, the company's external debt reduced to Rs. 44.2 crore (excluding lease liabilities), primarily driven by short-term borrowings and term loans for the standalone entity and subsidiaries. An expectation of sustained improvement in the cash accruals, led by business growth and expansion, should help it maintain comfortable debt coverage metrics, even as the external debt on the entity's books increase as it pursues its capex plans.

The Stable outlook reflects ICRA's expectation that assured business for the company from its promoter group entities is expected to help MTSL report healthy earnings growth over the medium term. The company's credit profile is likely to continue to be supported by the parent group for any funding requirement.

Key rating drivers and their description

Credit strengths

Healthy revenue visibility from promoter group entities as their captive IT solutions provider; access to financial support from strong promoter group – SMG owns a 92.96% stake in MTSL and over the years as the captive IT service provider to its promoter group. MTSL has reported a healthy growth in revenues on the back of increased IT requirements in line with the growth of SMG. The healthy growth prospects of the promoter Group companies continue to provide steady revenue visibility for MTSL over the medium term. Apart from operational benefits, the company also enjoys access to financial support from its parent group, which is likely to help the company maintain a healthy credit profile, while continuing to pursue its business growth plans.

Group expansion as well as new products addition to aid steady growth in scale of operations – MTSL's business operations have scaled up over the past few years, primarily aided by enhanced business from group companies, following SAMIL's expansion through various inorganic initiatives. Over the past few years, MTSL has also developed new products, such as iDACS (a smart manufacturing solution), cloud-based IoT, analytics and data migration services, among others, which command higher margins (as incremental investments for these products are low) and has been able to gain business for the same in the recent past. An expectation of continued growth in business from SMG, coupled with a ramp-up in business gained for new product developments, is likely to aid a steady growth in MTSL's scale of operations over the medium term.

Credit challenges

High client concentration risk with dependence on promoter group entities – MTSL continues to remain heavily dependent on business from its promoter group entities, with 65-70% of the consolidated revenues coming from SMG. Consequently, the business prospects of MTSL remain significantly linked to the prospects of the automotive sector (wherein most of the promoter group entities operate). This client concentration risk is mitigated to an extent by the captive IT solutions provider status enjoyed by the company for its promoter group entities and its focus on further increasing revenues from other companies.

Modest capital structure and coverage indicators – The company incurred OPBITDA and net losses over FY2022 and FY2023 on account of significant ramp-up of manpower in overseas entities for acquiring non-Group related business, which eroded the net worth of the company and significantly impacted its capital structure. However, continuous support from SAMIL in the form of ICDs and equity infusion supported its financial profile. Further, the company's capital structure was also supported by infusion of Rs. 202 crore over FY2023 and FY2024 from SAMIL via rights issue to fund the operational losses and working capital requirements. The gearing stood at 1.0 times and TOL/TNW stood at 2.7 times as on March 31, 2025. The company has shown a healthy improvement in OPBITDA in FY2025 and with gradual increase in the business of the standalone entity and its subsidiaries. Even though the operational performance is further expected to improve over the medium term, additional debt in FY2026 will keep capital structure and coverage indicators under check.

Significant capex plans over medium term may impact financial risk profile – The company has significant capex plans to enhance its seating capacity over the next three years, in line with the increasing scale of business. MTSL is establishing a new office with an overall capital expenditure of Rs. 350 crore over FY2025 and FY2026. The company will incur capex of Rs. 200-250 crore towards the same in the next 12-15 months and the same is being funded partially by equity infusion, internal accruals and majorly from external term debt. The planned capex is expected to moderate the company's return and debt coverage indicators over the medium term and would remain monitorable. However, improving operational performance and access to funding support from the parent entity are expected to support the financial profile to an extent.

Liquidity position: Adequate

MTSL's liquidity profile remains **adequate**, given its access to funding support from the parent group and adequate buffer in working capital limits. The company has a buffer of about Rs. 46 crore in the working capital limits against the drawing power, as of February 2025, providing healthy buffer. The company does not have any term debt repayment in the next 24 months. The company has significant capex plans in the near term of about Rs. 200-250 crore, which will be majorly funded through term debt. The entity is expected to continue to enjoy financial support from its parent entity for meeting any funding gap.

Rating sensitivities

Positive factors – A sustained track record of registering a healthy revenue growth and improvement in profitability profile, led by scale-up in new product/service offerings to customers outside the Group would be favourably considered for an upward revision of the long-term ratings.

Negative factors – The ratings may be revised downward if a deterioration in cash accrual results in weakening of its liquidity and financial risk profile. Higher-than-estimated capex and the impact of the same on its credit metrics would remain monitorable. Timely funding support from the parent entity to meet the proposed capex plans would remain a key rating sensitivity. Any weakening in linkage with the parent, or a downward revision in the parent entity's credit profile, would also be a negative rating factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
Parent/Group support	Parent: Samvardhana Motherson International Limited The ratings assigned to MTSL factors in the very high likelihood of its parent entity, SAMIL, extending financial support to it because of the close business linkages between them. ICRA also expects SAMIL to be willing to extend financial support to MTSL out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of MTSL. As on March 31, 2025, the company had 9 subsidiaries which are enlisted in Annexure-II.

About the company

Motherson Technology Services Limited, incorporated in 2000, is a subsidiary of Samvardhana Motherson International Limited, India, along with shareholding from Sumitomo Wiring Systems Limited, Japan. The company provides IT services in the fields of ADM, ERP, mobility applications, assembly line automation, etc., primarily in the automotive sector, across domestic as well as international markets. It has execution centres in India (Noida, Uttar Pradesh), the US, Germany, Japan, and Singapore, besides support locations in Chennai and Pune.

Key financial indicators

MTSL Consolidated	FY2024	FY2025
Operating income	949.0	1,136.3
PAT	(14.4)	34.3
OPBDIT/OI	1.4%	6.5%
PAT/OI	-1.5%	3.0%
Total outside liabilities/Tangible net worth (times)	2.8	2.7
Total debt/OPBDIT (times)	10.3	2.3
Interest coverage (times)	1.0	4.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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 – CC/EPC	Long term	7.0	**06-Jun-2025**	[ICRA]AA (Stable)	-	-	28-Mar-2024	[ICRA]AA- (Stable)	23-Dec-2022	[ICRA]AA- (Stable)
Non-Fund Based Facilities	Short term	10.0	**06-Jun-2025**	[ICRA]A1+	-	-	28-Mar-2024	[ICRA]A1+	23-Dec-2022	[ICRA]A1+
Fund based /Non-fund based limits	Long term & short term	35.0	**06-Jun-2025**	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	28-Mar-2024	[ICRA]AA- (Stable)/ [ICRA]A1+	23-Dec-2022	[ICRA]AA- (Stable)/ [ICRA]A1+
Unallocated limits	Long term	-	-	-	-	-	-	-	23-Dec-2022	[ICRA]AA- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – EPC/CC	Simple
Short-term – Non-fund based limits	Very 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 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 – CC/EPC	NA	NA	NA	7.00	[ICRA]AA(Stable)
NA	Non-Fund Based Facilities	NA	NA	NA	8.50	[ICRA]A1+
NA	Non-Fund Based Facilities – CEL	NA	NA	NA	1.50	[ICRA]A1+
NA	Fund Based & Non-fund Based Limits	NA	NA	NA	35.00	[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:

Company Name	Ownership	Consolidation Approach
Motherson Technology Services Limited	Rated entity	Full Consolidation
Motherson Technology Services USA Limited	100%	Full Consolidation
Motherson Technology Services Gmbh	100%	Full Consolidation
Motherson Technology Service SG Pte Ltd. (MIND SG)	100%	Full Consolidation
Motherson Technology Service Kabushiki Gaisha*	85.71% by MIND SG	Full Consolidation
Samvardhana Motherson Health Solution Ltd.	100%	Full Consolidation
SMI Consulting Technologies Inc.	100%	Full Consolidation
Motherson Technology Services United Kingdom Limited	100%	Full Consolidation
Motherson Technology Service Mid East FZ-LLC	100%	Full Consolidation
Motherson Technology Services Spain S.L.U.	100%	Full Consolidation

Source: Annual Report of MTSL of FY2025, Amount in Rs crore

**Motherson Technology Service Kabushiki Gaisha is a subsidiary of Motherson Technology SG Pte Ltd. which in turn is held by Motherson Technology Services Limited*

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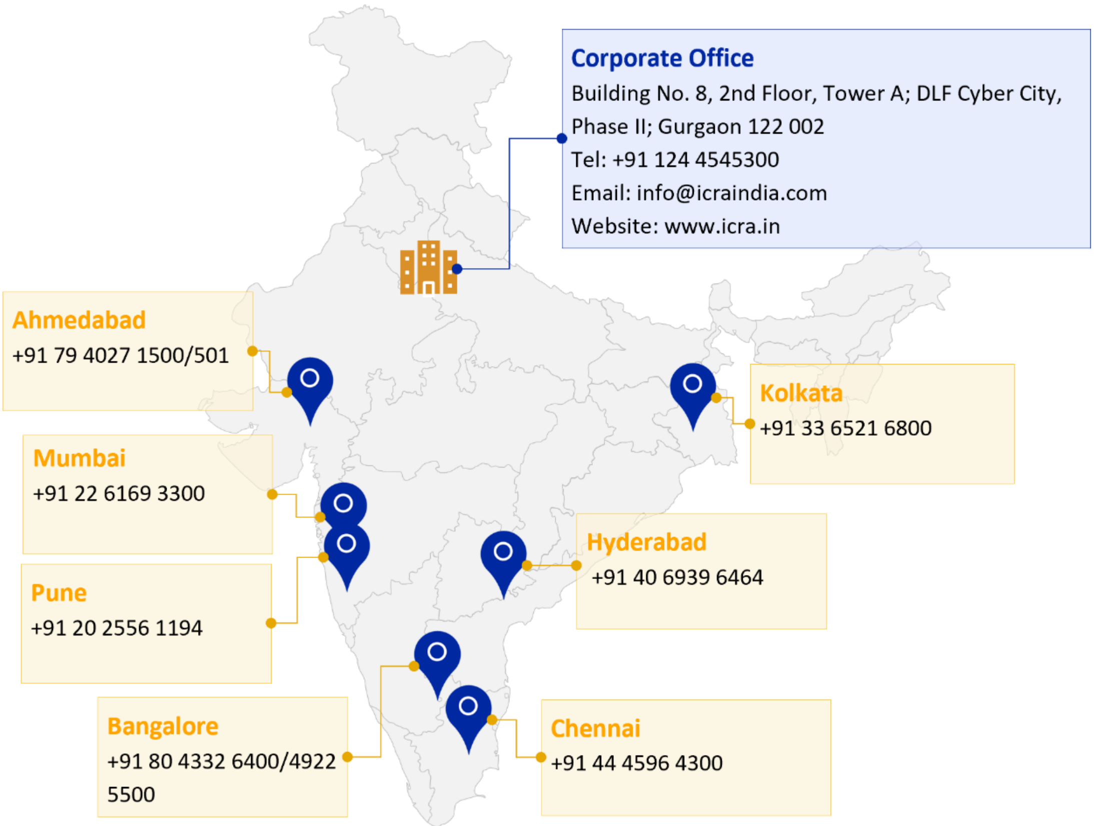

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