

July 22, 2025

## Mahindra Steel Service Centre Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based cash credit	25.0	41.5	[ICRA]AA- (Stable); reaffirmed
Long-term fund-based term loan	2.8	-	-
Short-term non-fund based limits	230.0	213.5	[ICRA]A1+; reaffirmed
Long-term interchangeable^	(85.0)	(48.5)	[ICRA]AA- (Stable); reaffirmed
Long-term/ short-term unallocated	-	2.8	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed
<b>Total</b>	<b>257.8</b>	<b>257.8</b>	

\*Instrument details are provided in Annexure I ^Cash credit, Working capital demand loan and Overdraft facility are sublimit of non-fund based limit

### Rationale

The ratings reaffirmation continues to consider the strong financial flexibility enjoyed by Mahindra Steel Service Centre Limited (MSSCL) for being a part of the Mahindra Group, its strong operational and financial linkages with the parent company, Mahindra Accelo Limited (MAL; rated [ICRA]AA+ (Stable)/[ICRA]A1+), and the location specific advantage owing to the proximity of its plants to its key customers. The ratings also draw comfort from MSSCL's collaboration with Metal One Corporation, which is a distributor of Nippon Steel, one of the leading global suppliers of electrical and automotive steel. The association lends superior technological capabilities and reduces procurement-related risks. MSSCL reported a modest 13% YoY growth in revenues, which stood at Rs. 483.2 crore in FY2025, with an operating profit margin (OPM) of 10.1%. However, ICRA notes the management's expectation of a significant scale-up in the electrical stamping business in FY2026 with the commencement of supply of electric vehicle (EV) motor cores to leading original equipment manufacturers (OEMs). Further, the management intends to venture into the manufacturing of EV motors, battery casings and chassis modules, which are expected to improve the overall product and customer mix for the company and thus the margin profile. The ratings also factor in the high likelihood of MAL or M&M extending financial support to MSSCL, should there be a need, because of the close business linkages among them. This is also demonstrated from Rs. 35.0 crore of inter-corporate deposits (ICDs) advanced by M&M to MSCCL and Rs. 17.5 crore advanced by MAL as on March 31, 2025.

MSSCL's business performance remains exposed to cyclicity in its end-user industries (automotive and electrical segments), as reflected in volatility in its return indicators. The company is also exposed to stiff competition from other steel processing players, which limits its pricing power to an extent. Nonetheless, its established market position in the electrical steel segment as well as strong relationships with key customers mitigate this risk to an extent. The ratings also remain constrained to some extent by the customer concentration risk because of its limited customer base, most of which are transformer manufacturers. However, its efforts to diversify through the new plant set up in Chennai to cater to automotive customers in South India offer comfort.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to benefit from the promoter group's support and the established track record of its operations and client base, while maintaining its comfortable financial risk profile over the medium term.

## Key rating drivers and their description

### Credit strengths

**Strong parentage being a part of the Mahindra & Mahindra Group; access to financial support from MAL/M&M** – MAL, the parent company of MSSCL, holds a 61% stake in the company. MSSCL and MAL have strong operational linkages with the former undertaking steel processing job-work for MAL. This in turn reduces the inventory requirement and, hence, the price risk for the company. The ratings assigned to MSSCL factor in the high likelihood of MAL or M&M continuing to extend financial support to it, should there be a need, as demonstrated by Rs. 35.0 crore of ICDs advanced by M&M to MSSCL and Rs. 17.5 crore by MAL as on March 31, 2025, to support its capital expenditure (capex) and working capital funding requirements.

**Comfortable capital structure and healthy debt protection metrics** – MSSCL had total debt (excluding lease liability) of Rs. 52.5 crore outstanding as on March 31, 2025, entirely comprising ICDs from MAL and M&M. In addition, it had lease liabilities of Rs. 29.5 crore as on March 31, 2025. MSSCL's gearing stood at 0.6 times as on March 31, 2025, vis-à-vis 0.8 times as on March 31, 2024. Its Total debt/OPBITDA stood at 1.7 times as on March 31, 2025, vis-à-vis 3.0 times as on March 31, 2024, and the company reported an interest coverage ratio of 6.4 times in FY2025 vis-à-vis 3.1 times in FY2024. Despite expected addition in debt levels for the planned capex and rise in working capital borrowings to support the increased scale of operations, MSSCL's credit metrics are likely to remain comfortable because of its healthy operating performance and strong financial support from MAL and M&M.

**Collaboration with Metal One Corporation lends technological support and reduces procurement related risks** – The company imports cold rolled grain oriented (CRGO) and cold rolled non-grain oriented (CRNO) steel. This is supplied to the company by Nippon Steel, one of the leading manufacturers of CRGO and CRNO steel, through Metal One Corporation, which is its global distributor. MSSCL's collaboration with Metal One Corporation lends technological support and reduces risks related to material availability and procurement.

**Location-specific advantage in the electrical steel segment** – MSSCL's Bhopal facility primarily caters to CRGO steel used in transformer cores and it is in proximity to the key customers of electrical steel, resulting in lower freight cost, which supports its profitability. Over the years, MSSCL has mainly catered to the electrical steel segment, limiting its dependence on M&M for revenues. This has been further strengthened in the recent past, with the ramp-up of its Chennai plant, which caters to non-M&M customers in the automotive space.

### Credit challenges

**Susceptibility of business growth to cyclicity in end-user industry** – MSSCL is exposed to the cyclical end-markets (automotive and electrical segments), as reflected by the volatility in its return indicators. This was evident in its performance in the last few fiscals, wherein its revenues declined/ increased in line with demand from the end-user industries and fall/ rise in steel prices.

**High customer concentration risk** – MSSCL's customer base includes transformer core manufacturers (for electrical steel) and auto OEMs (for automotive steel). Customer concentration remained high with the top five customers accounting for around 56% of the operating income in FY2025. Nevertheless, ICRA notes that the customer base of MSSCL comprises large, reputed transformer manufacturers and its Group companies have a strong credit profile, which reduces its exposure to counterparty credit risks. Additionally, to diversify its customer base, the company has set up a steel blanking and lamination (CR as well as CRGO) facility in Chennai to cater to the OEMs in South India. Ramp-up of the Chennai unit would help mitigate the customer concentration risk over the medium term.

**Margins remain vulnerable to commodity price fluctuations** – The basic raw material for the company is steel and the company's revenues and profitability remain exposed to fluctuations in steel prices.

## Liquidity position: Adequate

MSSCL's liquidity position is likely to remain adequate, supported by its fully unutilised working capital limits of Rs. 100 crore as on March 31, 2025. The company has no debt repayment obligations and the planned capex requirements of around Rs. 60.0 crore in FY2026 are likely to be met through incremental borrowings either in the form of ICDs from MAL/M&M or bank borrowings. Additionally, funding support from MAL/ M&M, in case of any requirement, and the financial flexibility enjoyed for being a part of the Mahindra Group, strengthen its liquidity.

## Rating sensitivities

**Positive factors**– ICRA may upgrade MSSCL's rating in case of a sustained growth in revenues and/or profitability, leading to an improvement in the financial risk profile.

**Negative factors** – Any sustained pressure on revenues and profitability, leading to low cash accruals, coupled with an elongation in the working capital cycle, could impact MSSCL's liquidity profile and in turn, the ratings. Deterioration in the credit profile of the parent company or weakening of linkages with the parent could also result in a ratings downgrade.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Auto Components</a>
Parent/Group support	Parent / Group Company: Mahindra Accelo Limited (MAL) The ratings assigned to MSSCL factor in the high likelihood of its parent, MAL, extending financial support to it because of close business linkages between them. ICRA also expects MAL to be willing to extend financial support to MSSCL to protect its reputation from the consequences of a Group entity's distress
Consolidation/Standalone	The ratings are based on the standalone financial statements of MSSCL

## About the company

Mahindra Steel Service Centre Limited, a joint venture between MAL (holding a 61% stake) and Metal One Corporation (Japan), is involved in the processing of automotive and electrical steel on a job-work as well as stock-and-sale basis. MSSCL's steel processing facilities are located at Kanhe (near Pune), Bhopal and Noida, with installed production capacities of 2,22,564 MTPA (including Kanhe 1 & 2), 8,400 MTPA (including Slitting) and 1,800 MTPA, respectively. In August 2020, MSSCL commissioned a steel blanking and lamination facility in Chennai with a production capacity of 44,000 MTPA to cater to the OEMs in that region.

## Key financial indicators (audited)

MSSCL – Standalone	FY2024	FY2025
Operating income	428.9	483.2
PAT	7.0	19.8
OPBDIT/OI	8.4%	10.1%
PAT/OI	1.6%	4.1%
Total outside liabilities/Tangible net worth (times)	1.5	1.8
Total debt/OPBDIT (times)	3.0	1.7
Interest coverage (times)	3.1	6.4

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 rating (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	
Cash Credit	Long term	41.5	22-July-25	[ICRA]AA-(Stable)	31-May-24	[ICRA]AA-(Stable)	-	-	28-Mar-23	[ICRA]AA-(Stable)	
Term Loan	Long term	0.0	22-July-25	-	31-May-24	[ICRA]AA-(Stable)	-	-	28-Mar-23	[ICRA]AA-(Stable)	
Non-Fund-Based Limits	Short term	213.5	22-July-25	[ICRA]A1+	31-May-24	[ICRA]A1+	-	-	28-Mar-23	[ICRA]A1+	
Interchangeable	Long term	(48.5)	22-July-25	[ICRA]AA-(Stable)	31-May-24	[ICRA]AA-(Stable)	-	-	28-Mar-23	[ICRA]AA-(Stable)	
Long-Term/Short-Term Unallocated	Long term and short term	2.8	22-July-25	[ICRA]AA-(Stable)/[ICRA]A1+	31-May-24	-	-	-	28-Mar-23	[ICRA]AA-(Stable)/[ICRA]A1+	

**Complexity level of the rated instruments**

Instrument	Complexity indicator
Long-Term Fund-Based Cash Credit	Simple
Short-Term Non-Fund-Based Limits	Very Simple
Long-Term Interchangeable	Very Simple
Long-Term/Short-Term 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 Cash Credit	NA	NA	NA	41.5	[ICRA]AA- (Stable)
NA	Short-Term Non-Fund-Based Limits	NA	NA	NA	213.5	[ICRA]A1+
NA	Long-Term Interchangeable	NA	NA	NA	(48.5)	[ICRA]AA- (Stable)
NA	Long-Term/Short-Term Unallocated	NA	NA	NA	2.8	[ICRA]AA- (Stable)/ [ICRA]A1+

Source: Company

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

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