

July 22, 2025

## Mahindra Accelo Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based working capital facilities	7.5	32.5	[ICRA]AA+ (Stable); reaffirmed
Short-term non-fund-based limits	647.5	602.5	[ICRA]A1+; reaffirmed
Long-term interchangeable	(112.0)	(87.0)	[ICRA]AA+ (Stable); reaffirmed
Long-term/ short-term unallocated	30.0	50.0	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed
<b>Total</b>	<b>685.0</b>	<b>685.0</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings reaffirmation continues to reflect Mahindra Accelo Limited's (MAL) strong financial, operational, and managerial linkages with its parent company, Mahindra & Mahindra Limited (M&M; rated [ICRA]AAA (Stable) / [ICRA]A1+), and its strategic importance to M&M's automotive division as the captive supplier of steel blanks, meeting 60-65% of M&M's requirements for its passenger vehicles. The company is further strengthening its value-added products in the automotive segment for Class A and Class B categories and has plans to diversify to other OEMs. Besides the automotive segment, the company enjoys an established presence in the domestic electrical steel processing segment. The ratings continue to derive comfort from MAL's comfortable financial risk profile, as evident from its positive cash flow from operations and strong liquidity position, underpinned by healthy cash and bank balances along with liquid investments and unutilised bank lines. The ratings also factor in the high likelihood of M&M extending financial support to MAL, should there be a need, because of the close business linkages between them. This is also demonstrated from around Rs. 285 crore of inter-corporate deposits (ICDs) advanced by M&M to MAL (consolidated) as on March 31, 2025.

MAL's business performance remains exposed to cyclicalities in its end-user industries (automotive and electrical segments), as reflected by the volatility in its return indicators. Further, the company is exposed to stiff competition from other steel processing players, which limits its pricing power to an extent. However, its established market position in electrical steel and its strong relationships with key customers mitigate this risk to an extent. ICRA will continue to monitor the sustenance of MAL's growth momentum as well as its ability to maintain or improve its margins through better product mix and operating leverage benefits, which remain critical from the credit perspective. Additionally, MAL's ability to scale up smaller subsidiaries to a meaningful size and profitability to support its return indicators at the consolidated level remains an important monitorable.

While electric vehicles (EVs) remain MAL's primary focus area, going forward, its established capacity is also compatible with internal combustion engines (ICE) and hybrid vehicles. Therefore, if EV adoption ramps up slower than anticipated, the company's operations will largely remain unaffected.

The Stable outlook reflects ICRA's expectation that MAL will continue to benefit from its linkages with the Mahindra Group and the associated financial support and flexibility. ICRA also expects MAL's credit profile to remain comfortable over the medium term, supported by comfortable cash flows and healthy cash and bank balances as well as liquid investments.

## Key rating drivers and their description

### Credit strengths

#### **Strong parentage as a wholly-owned subsidiary of M&M; captive steel service centre (SSC) for M&M's automotive business**

– MAL enjoys strong financial, operational and managerial linkages with M&M for being its wholly-owned subsidiary. MAL primarily operates as a captive SSC for M&M's automotive business, wherein it converts cold-rolled steel coils into processed steel blanks for M&M's utility vehicles (UVs) and passenger cars, meeting 60-65% of M&M's requirements. MAL's board of directors also includes senior personnel from the Mahindra Group's executive board. The ratings assigned to MAL factor in the high likelihood of M&M continuing to extend financial support to it should there be a need, as demonstrated from around Rs. 285 crore of ICDs advanced by M&M to MAL (consolidated) as on March 31, 2025. Moreover, MAL enjoys strong financial flexibility for being a part of the Mahindra Group.

**Leading player in the domestic electrical steel processing segment** – MAL has an established market position as well as strong relationships with companies in the home appliances and capital goods segments (particularly transformers). It is the leading supplier of processed cold rolled grain oriented (CRGO) steel for power transformers.

**Strong financial risk profile and liquidity** – Aided by healthy cash flows in the past, MAL has maintained limited dependence on external borrowings. The financial profile is adequately supported by its free cash and bank balances as well as liquid investments of around Rs. 85 crore (as on March 31, 2025) on a consolidated basis, against external debt of Rs. 171.1 crore (including lease liabilities of Rs. 94.4 crore). Despite the expected increase in the overall debt level owing to the planned capital expenditure (capex), MAL's financial profile is likely to remain healthy in FY2026 as well, supported by a changing product mix. The sustainability of the growth momentum (including the expected revenues from value-added products) and margins will be closely monitored.

### Credit challenges

**Susceptibility to cyclicity in end-user sectors** – MAL is exposed to cyclical end-markets (automotive and electrical segments), as reflected in volatility in its return indicators over the past couple of fiscals. Its revenues grew by 37% in FY2023, which moderated to 9% in FY2024 and 11.5% in FY2025, in line with demand from end-user industries and volatility in steel prices. Consequently, the volatility in OPM has translated into volatility in its return on capital employed (RoCE), which stood at 19.1% in FY2025.

**Exposure to competitive pressures in steel processing industry** – The company is involved in steel processing, which is an intensely competitive segment, constraining its OPM. However, its established market position in the electrical segment as well as strong relationships with key customers mitigate this risk to an extent.

**Smaller subsidiaries yet to scale up to meaningful size and profitability to support return indicators** – Though the company has the first-mover advantage in licensed recycling scrap business, given the nascent stage of operation for this as well as electrical steel business in Indonesia (which commenced operations from January 2022), they are yet to achieve a meaningful scale and size to generate commensurate returns to support the consolidated numbers. MAL's ability to scale up these smaller subsidiaries will remain critical for its financial profile at the consolidated level.

### Liquidity position: Strong

MAL's liquidity profile is strong, supported by its cash flow from operations (Rs. 150-200 crore annually at the consolidated level) and free cash and bank balances and liquid investments of Rs. 84.8 crore as on March 31, 2025. Further, MAL (standalone), MSSCL<sup>1</sup> and MASPL<sup>2</sup> together had fully unutilised fund-based limits of Rs. 305.5 crore as on March 31, 2025, which further support the liquidity profile. These are more than adequate to fund the scheduled long-term debt repayments

<sup>1</sup> Mahindra Steel Service Centre Limited (MAL's 61.0% subsidiary)

<sup>2</sup> Mahindra Auto Steel Private Limited (MAL's 75.5% subsidiary)

of around Rs. 8.3 crore on a consolidated basis and consolidated capex of around Rs. 222 crore in MAL (Standalone), MSSCL and MASPL in FY2026. The liquidity profile is further underpinned by the financial flexibility enjoyed by the company for being a part of the Mahindra Group.

## Rating sensitivities

**Positive factors** – MAL’s ratings may be upgraded if there is a substantial scale-up in revenues, along with greater sector and client diversification, while maintaining its current strong credit profile. Improvement in ROCE to above 25% on a sustained basis, would also be a positive rating factor.

**Negative factors** – MAL’s ratings may be downgraded if there is any weakening in the credit profile of M&M and/or weakening in the operating performance of MAL due to sustained volume degrowth in its end-user segments. Any large debt-funded capex or weakening of its liquidity position, which may adversely impact its credit profile will also be a negative rating trigger.

## 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 & Mahindra Limited (M&M) The ratings assigned to MAL factor in the high likelihood of its parent, M&M [rated [ICRA]AAA (Stable) / [ICRA]A1+] extending financial support to it because of close business linkages between them. ICRA also expects M&M to be willing to extend financial support to MAL to protect its reputation from the consequences of a Group entity’s distress.
Consolidation/Standalone	The ratings are based on MAL’s consolidated financial profile, for which ICRA has consolidated the financials of MAL and its six subsidiaries—all enlisted in Annexure 2. The consolidated financials have not been prepared by the company, as these entities are consolidated at the M&M level and, accordingly, the key financial indicators on a consolidated level are not disclosed in the rationale.

## About the company

Mahindra Accelo Limited (formerly known as Mahindra Intertrade Limited) is a wholly-owned subsidiary of Mahindra & Mahindra Limited. It was incorporated in 1978 as the Mahindra Group’s trading arm to meet M&M’s steel requirements in its automotive business. In 1993, the company entered the SSC business for meeting the requirements of M&M’s automotive division. It further expanded its capacities in 2000 to diversify its business model by entering the electrical steel processing segment.

MAL operates through two business segments, SSC as well as metals and ferrous alloys (MFA), with SSC driving the bulk of the business (accounted for 71% of standalone revenues in FY2025). MAL operates here as a captive SSC for M&M’s automotive business, wherein it converts hot rolled (HR)/ cold rolled (CR) steel coils into processed steel blanks for M&M’s UVs and PVs. Besides meeting M&M’s entire requirements, MAL supplies CRGO steel laminations to the electrical segment, mainly covering the transformer industry and consumer durables. The MFA segment largely purchases and sells ferrous alloys (used in steel manufacturing) and alloy steel.

MAL has six subsidiaries, the key ones being MSSCL (rated [ICRA]AA-(Stable)/ [ICRA]A1+) and MASPL (rated [ICRA]AA (Stable)/ [ICRA]A1+). While MSSCL processes automotive and electrical steel, MASPL manufactures steel blanks, rectangles, trapezoids and profiles for automobile manufacturers. Other subsidiaries are currently small in scale, and do not contribute materially to the consolidated top line and OPBDITA of MAL.

### Key financial indicators (audited)

MAL – Standalone	FY2024	FY2025
Operating income	3,340.8	3,535.5
PAT	133.0	115.1
OPBDIT/OI	5.3%	5.7%
PAT/OI	4.0%	3.3%
Total outside liabilities/Tangible net worth (times)	0.7	0.9
Total debt/OPBDIT (times)	0.4	0.5
Interest coverage (times)	14.9	14.4

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 ratings (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
<b>Fund-Based working capital facilities</b>	Long term	32.5	22-Jul-25	[ICRA]AA+ (Stable)	31-May-24	[ICRA]AA+ (Stable)	-	-	28-Mar-23	[ICRA]AA+ (Stable)
<b>Non-Fund-Based Limits</b>	Short term	602.5	22-Jul-25	[ICRA]A1+	31-May-24	[ICRA]A1+	-	-	28-Mar-23	[ICRA]A1+
<b>Interchangeable</b>	Long term	(87.0)	22-Jul-25	[ICRA]AA+ (Stable)	31-May-24	[ICRA]AA+ (Stable)	-	-	28-Mar-23	[ICRA]AA+ (Stable)
<b>Unallocated</b>	Long term/ Short term	50.0	22-Jul-25	[ICRA]AA+ (Stable)/ [ICRA]A1+	31-May-24	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	28-Mar-23	[ICRA]AA+ (Stable)/ [ICRA]A1+

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-Term Fund-Based working capital facilities	Simple
Short-Term Non-Fund-Based Limits	Very Simple
Long-Term Interchangeable	Very Simple
Long-Term/Short-Term Unallocated	Not Applicable

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 working capital facilities	NA	NA	NA	32.5	[ICRA]AA+ (Stable)
NA	Short-Term Non-Fund-Based Limits	NA	NA	NA	602.5	[ICRA]A1+
NA	Long-Term Interchangeable	NA	NA	NA	(87.0)	[ICRA]AA+ (Stable)
NA	Long-Term/Short-Term Unallocated	NA	NA	NA	50.0	[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
Mahindra Steel Service Centre Limited	61.0%	Full Consolidation
Mahindra Middle East Electrical Steel Service Centre	90.0%	Full Consolidation
Mahindra Auto Steel Private Limited	75.5%	Full Consolidation
Mahindra Electrical Steel Private Limited	100.0%	Full Consolidation
PT Mahindra Accelo Steel Indonesia	100.0%	Full Consolidation
Mahindra MSTC Recycling Private Limited	50.0%	Full Consolidation

## ANALYST CONTACTS

**Jitin Makkar**

+91 0124-4545368

[jitinm@icraindia.com](mailto:jitinm@icraindia.com)

**Kinjal Shah**

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Sakshi Suneja**

+91 22 6169 3349

[sakshi.suneja@icraindia.com](mailto:sakshi.suneja@icraindia.com)

**Viren Jhunjhunwala**

+91 9326585462

[viren.jhunjhunwala@icraindia.com](mailto:viren.jhunjhunwala@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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