

July 28, 2025

Munjal Auto Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund based - Term loans	66.20	79.90	[ICRA]AA- (Stable); reaffirmed
Long-term - Fund based - Cash credit	30.00	30.00	[ICRA]AA- (Stable); reaffirmed
Short-term - Non-fund based limits	16.64	35.84	[ICRA]A1+; reaffirmed
Long term/Short term - Unallocated	67.16	34.26	[ICRA]AA- (Stable)/ [ICRA] A1+; reaffirmed
Total bank loan limits	180.00	180.00	
Commercial paper	15.00	15.00	[ICRA]A1+; reaffirmed

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings on the bank lines of Munjal Auto Industries Limited (MAIL) factors in the established track record of operations and its position as a key supplier of exhaust system components to leading two-wheeler original equipment manufacturer (OEM), Hero MotoCorp Limited (HMCL; rated [ICRA]AAA(Stable)/[ICRA]A1+) and MAIL's healthy financial profile, marked by comfortable capital structure and debt protection metrics, and adequate liquidity position. This is supported by MAIL's long relation with HMCL and its high share of business with the latter for components supplied.

While MAIL's standalone revenue witnessed some moderation in FY2025 due to reduction in the average realisation of key components supplied, improving performance of its subsidiary, Indutch Composites Technology Pvt. Ltd. (Indutch), driven by steady ramp-up of operations, has supported the consolidated revenue growth in FY2025. Moreover, Indutch's healthy order book position is expected to support its future growth and improvement in earnings and enhance stability in the overall MAIL's consolidated credit profile. Steady internal accrual generation, coupled with relatively moderate debt levels, continued to result in a healthy financial profile for MAIL.

The ratings are, however, constrained by MAIL's significant dependence on HMCL and the Indian 2W industry for its cash flow generation. While the strong growth of Indutch has enabled diversification into the non-automotive sector, continued funding needs and the ability to sustain healthy margins are critical to the consolidated credit profile of the company. Moreover, MAIL's medium-term success will hinge on its ability to diversify its product portfolio beyond mufflers, especially as the increasing adoption of electric two-wheelers (EVs) poses a potential challenge to its conventional business model.

The Stable outlook on MAIL's long-term rating reflects ICRA's expectation that its credit profile will remain supported by favourable demand for its products and a strong business foundation.

Key rating drivers and their description

Credit strengths

Established relationship with HMCL and its strong market share in domestic 2W industry augur well for MAIL – MAIL has established a strong relationship with HMCL (which has approximately 30% market share¹ in domestic 2W industry). This relationship is highlighted by MAIL's significant business share (approximately 90%) with HMCL over the years. MAIL's volume growth has largely mirrored HMCL's volume sales, with MAIL reporting a moderate growth in volumes in FY2025, consistent

¹ As per the Society of Indian Automobile Manufacturers (SIAM)

with HMCL's performance. However, MAIL experienced a decline in revenue during FY2023-FY2025 due to decreased muffler prices. Muffler volumes are expected to grow in line with the 2W industry volumes in the near-to-medium term.

Strong revenue visibility in MAIL's subsidiary, Indutch – MAIL's subsidiary, Indutch, has a healthy order book estimated to exceed Rs. 850 crore, scheduled for execution in FY2026. This strong pipeline is supported by medium-to-long-term offtake agreements with key clients such as Enercon, Nordex, Servion India, and LM Wind Power, providing robust revenue visibility over the medium term. Additionally, Indutch is in discussion with several new customers this year, which could further enhance its revenue outlook.

Adequate liquidity profile and modest external debt – MAIL had a consolidated debt of approximately Rs. 350 crore as on March 31, 2025, which includes around Rs. 193 crore of lease liabilities and around Rs. 157 crore of external debt. MAIL maintained adequate liquidity in the form of liquid investments and unutilised fund-based working capital limits on a standalone basis, which lends comfort. After adjusting for liquid investments, the consolidated net debt²/OPBITDA stood at 1.7 times (previous year 0.8 times). While MAIL's cash flow generation from operations is expected to be stable, the pace of Indutch's ramp-up will be crucial for the improvement at the consolidated level.

Credit challenges

High dependence on a single customer and product segment; expected to improve as the subsidiary scales up – MAIL derives 90-95% of its standalone revenues from muffler assemblies supplied to its key client, HMC. Given the assembly-based nature of its operations, MAIL's operating margins remain low. Contributions from other product segments and OEMs are minimal, resulting in modest return metrics such as RoCE. This heavy reliance on HMCL and the 2W industry makes MAIL's performance vulnerable to fluctuations in HMCL's market position and the overall 2W demand. However, MAIL's status as a key supplier and HMCL's market leadership position help mitigate client concentration risks to some extent. Additionally, scaling up of operations at its subsidiary, Indutch, is expected to further reduce concentration risk and improve return metrics over the medium term.

Elevated working capital requirement attributed to Indutch – In FY2025, Indutch derived 50-55% of its revenue from Enercon, the only customer for which Indutch procures raw materials. All other customers provide raw material to manufacture blades for them. Until September 2024, Enercon provided substantial working capital support through customer advances via an escrow mechanism. However, following a change in terms, Indutch began independently managing its working capital requirements from October 2024. To support this transition, Indutch's credit limits were enhanced in March 2024 and again in May 2025. Nonetheless, maintaining incremental working capital requirements at reasonable levels to ensure adequate liquidity remains a key rating monitorable.

Increasing electrification in the 2W industry threatens mufflers as a product in the long run – As HMCL is primarily focused on the motorcycle segment, the company could experience a significant impact from electric 2Ws (e-2W) over the medium and long term, as this segment could exert pressure on the traditional 2W business. MAIL's diversification efforts include investments in the composites product space through Indutch, which has growth potential not only in the renewable energy space but also as a potential supplier of composite parts for other industries such as defence.

Environmental and Social Risks

Environmental considerations: MAIL's key customer, HMCL, witnesses a significant portion of its demand from the rural segment. Adverse climatic conditions, such as droughts and floods, may impact farm income and, consequently, rural demand for entry-level 2Ws, affecting MAIL's revenues. To mitigate this risk, MAIL has been diversifying its revenue streams. With the ramp-up of Indutch, dependence on HMCL's revenue share is expected to decrease. As MAIL's revenues primarily come from exhaust systems or mufflers, the company is exposed to climate transition risks due to tightening emission control requirements. However, there is a track record of HMCL providing operational support to MAIL during its transition to BS-VI emission norms in FY2021.

² Net debt= Total debt less liquid investments

Social considerations: MAIL encounters social risks pertaining to product safety and quality, wherein instances of product recall and high warranty costs may not only lead to financial implications but could also harm the company's reputation and create a more long-lasting adverse impact on demand. As on March 31, 2024, the reported warranty provisions were low and did not pose any significant credit risk. The company also remains exposed to any major shift in consumer preferences/ demographics/ technology. In the 2W market, there is growing traction in terms of e-2W development, especially in the scooter segment. As the company has a significant dependence on the muffler business, the adoption of e2Ws could impact its business prospects in the long term. The investments in the composites space through Indutch lend some diversity in business.

Liquidity position: Adequate

MAIL's liquidity position is adequate, supported by investments (largely mutual funds) of approximately Rs. 125 crore and unutilised working capital limits of Rs. 40-50 crore on a consolidated basis, as of March 2025. Going forward, the company has moderate debt repayment obligations at a consolidated level of Rs. 10-15 crore annually. However, its cash flow from operations (approximately Rs. 90-100 crore annually) are expected to be sufficient to meet the debt payment obligations. On a consolidated basis, MAIL has a planned capex of Rs. 50-55 crore for FY2026, which will be funded by term loan of Rs. 25-30 crore.

Rating sensitivities

Positive factors – Any sustained improvement in the company's operational profile through material diversification of its customer and product profiles could trigger ratings upgrade.

Negative factors – The ratings could be downgraded by a significant deterioration in the company's standalone operational profile due to a reduced share of business and/or a lower-than-expected ramp-up in the subsidiary, leading to a material weakness in margins/cash accruals at the consolidated level. A specific credit metric that could lead to ratings downgrade includes net debt/OPBDITA at the consolidated level over 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financial statements of MAIL, including its subsidiaries, as per details given in Annexure II

About the company

MAIL is a leading auto component manufacturing company in India, producing exhaust systems (or mufflers), spoke rims, steel wheel rims, passenger vehicles (PVs) fuel tanks, Body in White (BIW) parts and other automotive assemblies. MAIL has a technical collaboration with Lafranconi Italy for exhaust systems of the 2W industry. In addition, the company has a technical collaboration with Samsung Industries Ltd. of South Korea for fuel tanks of PVs. At present, the company has an installed annual manufacturing capacity of around 94.5 lakh mufflers, 12.5 lakh rims, 15 lakh scooter wheels and 2 lakh fuel tanks. The manufacturing units of the company are in Vadodara (Gujarat), Bawal (Haryana), Dharuhera (Haryana) and Haridwar (Uttarakhand). At present, MAIL is the sole supplier for HMCL's muffler requirement across all 2W segments, except 100-cc motorcycles where it has a sizeable share of business (SoB), as one out of two preferred vendors. MAIL fulfils about approximately 90% of HMCL's muffler requirement. MAIL is a Hero Group company, with the Satyanand Munjal family holding around 75% of its equity, and public shareholders the rest. It also has non-Hero customers such as Piaggio and Tata Motors Limited.

About Indutch (68% subsidiary of MAIL)

Indutch, established in 2010, is an ISO:9001-certified manufacturer, exporter and trader of various composite products that find applications in sectors such as wind energy, railways, marine, industrial and aerospace. The company primarily derives its revenues from manufacturing windmill blades and ancillary products for global players using composite-based materials. At present, the company has five operational units including two in Vadodara and Halol (Gujarat), Mappedu and Trichy (Tamil Nadu) and one in Sullurpeta (Andhra Pradesh). Indutch has established its presence in East Europe, East Asia and North America and its clientele includes some of the world's largest windmill manufacturers like Enercon, Nordex, LM Wind Power and Senvion, among others. MAIL acquired a 68% stake in Indutch in FY2019 and became its holding company, while the balance stake is held mainly by Indutch's founding promoters.

Key financial indicators (audited)

MAIL Consolidated	FY2024	FY2025*
Operating income	1,887.2	2,072.4
PAT	38.0	38.3
OPBDIT/OI	6.7%	6.0%
PAT/OI	2.0%	1.8%
Total outside liabilities/Tangible net worth (times)	1.9	1.8
Total debt/OPBDIT (times)	2.2	2.8
Interest coverage (times)	4.6	4.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation; Amount in Rs. crore, *limited audited results

Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current year (FY2026)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs Crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	79.90	Jul 28, 2025	[ICRA]AA-(Stable)	Jul 31, 2024	[ICRA]AA-(Stable)	Jul 20, 2023	[ICRA]AA-(Stable)	Oct 31, 2022	[ICRA]AA-(Stable)
Cash Credit	Long Term	30.00	Jul 28, 2025	[ICRA]AA-(Stable)	Jul 31, 2024	[ICRA]AA-(Stable)	Jul 20, 2023	[ICRA]AA-(Stable)	Oct 31, 2022	[ICRA]AA-(Stable)
Non-Fund based	Short Term	35.84	Jul 28, 2025	[ICRA]A1+	Jul 31, 2024	[ICRA]A1+	Jul 20, 2023	[ICRA]A1+	Oct 31, 2022	[ICRA]A1+
Unallocated	Long Term / Short Term	34.26	Jul 28, 2025	[ICRA]AA-(Stable)/[ICRA]A1+	Jul 31, 2024	[ICRA]AA-(Stable)/[ICRA]A1+	Jul 20, 2023	[ICRA]AA-(Stable)/[ICRA]A1+	Oct 31, 2022	[ICRA]AA-(Stable)/[ICRA]A1+
Commercial Paper	Short Term	15.00	Jul 28, 2025	[ICRA]A1+	Jul 31, 2024	[ICRA]A1+	Jul 20, 2023	[ICRA]A1+	Oct 31, 2022	[ICRA]A1+
Fund based limits	Short Term	-	-	-	-	-	-	-	Oct 31, 2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term: Fund Based Term Loans	Simple
Long Term: Fund Based Cash Credit	Simple
Short Term: Non-Fund Based limits	Simple
Long/ Short Term: Unallocated	Not applicable
Commercial paper	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	Term loans	Apr-2019	7.20%	June -2029	79.90	[ICRA]AA- (Stable)
NA	Cash Credit	NA	NA	NA	30.00	[ICRA]AA- (Stable)
NA	Non-fund based	NA	NA	NA	35.84	[ICRA]A1+
NA	Unallocated	NA	NA	NA	34.26	[ICRA]AA- (Stable)/ [ICRA]A1+
NA	Commercial Paper	Yet to be placed			15.00	[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	MAIL Ownership*	Consolidation Approach
Munjal Auto Industries Limited	NA**	Full Consolidation
Indutch Composites Technology Pvt. Ltd.	68.0%	Full Consolidation

Source: MAIL Annual report, *as on March 31, 2025 **parent entity

ANALYST CONTACTS

Jitin Makkar

+91 124 4545368

jitinm@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Deepak Jotwani

+91 124 4545 870

deepak.jotwani@icraindia.com

Uday Kumar

+91 124 4545 867

uday.kumar@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

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

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



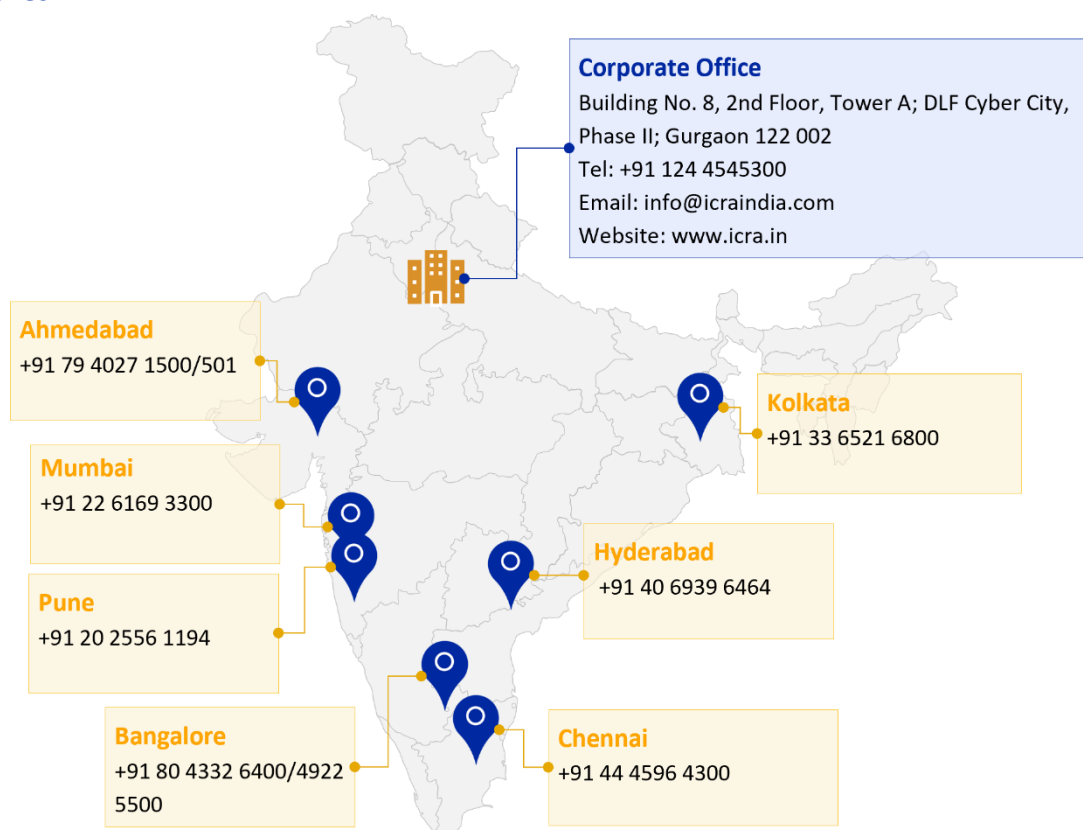
Registered Office

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

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.