January 21, 2026

Caparo Engineering India Limited: Ratings assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-Term -Fund based – Term Loan	58.70	[ICRA]BBB+(Stable); assigned
Long-Term -Fund based – Working capital facilities (CC/WCDL)	155.00	[ICRA]BBB+(Stable); assigned
Short-Term -Fund based – Supplier Credit	20.00	[ICRA]A2; assigned
Short-Term -Non-Fund based – Letter of Credit/Bank Guarantee	130.00	[ICRA]A2; assigned
Long-Term/Short-Term – Unallocated Limits	41.30	[ICRA]BBB+(Stable)/ [ICRA]A2; assigned
Total	**405.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings assigned to Caparo Engineering India Limited (CEIL) favourably factor in the company's established operational track record in the automotive components industry and the extensive experience of the promoters -the Caparo Group led by the Paul family. CEIL's business profile remains supported by a diversified customer base, which includes leading OEMs such as Tata Motors Limited (TML), Maruti Suzuki India Limited (MSIL), MG Motor, Escorts Kubota Limited, Tractors and Farm Equipment Limited (TAFE) and VE Commercial Vehicles Limited (VECV), among others, across multiple auto segments including passenger vehicles (PV), commercial vehicles (CV), and off-highway. The company supplies various products such as sheet metal components, fasteners, and aluminium components to these original equipment manufacturers (OEMs). The diversified business profile of the company provides comfort regarding its revenue growth prospects over the near to medium term.

In FY2025, the company's revenues declined by 4.4% YoY to Rs 1,514.1 crore, while during 9M FY2026, revenues stood at around Rs 1,190 crore. The operating profitability remained moderate, with margins of 5.2% in FY2025 and 5.8% in 9M FY2026. Going forward, its revenues are expected to improve, supported by healthy demand from existing customers, aided by the recent goods and services tax (GST) reduction and new business secured for Tata Motors' newly launched TATA Sierra model. Ongoing discussions with OEMs for price revisions are also expected to support earnings in the near term. While the company's OPM remains moderate at 5-6%, its financial profile remains supported by a healthy scale of operations and comfortable debt metrics, with total debt/OPBITDA at 3.6 times as of March 31, 2025, and interest coverage of 2.6 times in FY2025. The company also had healthy cash and liquid investments of Rs. 76 crore on its books as of November 30, 2025, which provides comfort. CEIL's focus on higher-margin products such as fasteners and aluminium castings is expected to aid an improvement in profitability going forward.

ICRA notes that the promoters have consistently supported the business, particularly when CEIL incurred losses due to significant capex and an industry slowdown. Between FY2010 and FY2019, the promoters infused equity of Rs. 800-900 crore to support the capital structure. The company has also taken corrective measures by closing loss-making units, including the sale of its Dewas plant in March 2025, which is expected to aid earnings. The ratings, however, remain constrained by the company's susceptibility to cyclicality in the auto industry and volatility in raw material prices, along with limited pricing flexibility.

The Stable outlook reflects ICRA's opinion that despite moderate capex plans, the company's credit profile will remain supported by healthy earnings, which will help it maintain credit metrics commensurate with the rating category.

Key rating drivers and their description

Credit strengths

Established position as a tier-I auto component supplier, backed by reputed promoters - The Caparo Group's long experience of three decades in the auto component business, along with the company's established position as an auto component supplier and its healthy relationships with suppliers and customers, has aided its business growth over the years. CEIL manufactures sheet metal components (around 51% of revenues in FY2025), fasteners (~15%), and aluminium castings (~10%) and is a supplier to leading auto manufacturers across multiple segments. Aided by a strong customer base and new business gains, revenue is expected to grow at a moderate pace over the near to medium term.

Diversified product portfolio and customer base - The company's business profile is backed by a diversified product portfolio and clientele. It caters to multiple auto segments, including CVs, PVs, and the off-highway segment, with approximately 30% contribution from each and the remaining 10% from exports. Its customers include leading OEMs such as Tata Motors Ltd (around 20-21% of FY2025 revenues), MSIL (5-6%), Escorts Kubota, JCB, Volvo Eicher, etc. This diversified business profile of the company provides comfort regarding its revenue growth prospects over the near to medium term.

Comfortable financial risk profile - The company's financial profile remains comfortable, marked by adequate debt protection metrics, interest coverage of 2.6 times and TD/OPBITDA of 3.6 times in FY2025. The capital structure is healthy, with a net worth of Rs. 772 crore, supported by regular equity infusion over the years, and a total outside liabilities to tangible net worth (TOL/TNW) ratio of 0.7 times as of March 31, 2025. Its overall debt levels are estimated to slightly decline to around Rs. 260 crore as on March 31, 2026, from Rs. 277.5 crore as on March 31, 2025. Despite planned annual capex of Rs. 40-50 crore towards fastener business expansion, aluminium foundry, and routine maintenance, the financial risk profile is expected to remain stable owing to improving operating performance and cash accruals. ICRA also draws comfort from the company's healthy financial flexibility, backed by free liquidity and vacant land parcels in Pune and Bawal.

Credit challenges

Moderate operating profitability - The company's operating margin has remained at 5-6.5% over the past few years. The OPM moderated to 5.2% in FY2025 from 6.3% in FY2024 on account of lower revenues due to reduced realisation from steel prices, softer demand levels from key customers and certain process inefficiencies. However, the company's focus on profitable growth and higher-margin products, along with better operating leverage, has partially supported margin improvement, as reflected in an OPM of 5.8% in 9M FY2026. Its ability to increase business for its higher-margin products remains monitorable.

Susceptibility to volatility in raw material prices and cyclicality in the automobile industry - As the raw materials account for 55-60% of the operating revenue, any slight variation in their prices may impact profitability. This risk is mitigated by the pass-through clause with key customers, though any price increase is passed on to customers after a lag. Furthermore, revenue largely depends on demand from the automobile industry, which is inherently cyclical. The auto industry is highly sensitive to macroeconomic events, as evidenced during the downturn in CY2008-CY2009 and further in CY2020-CY2021. Nevertheless, the promoters have continuously supported the business by infusing equity to fund the losses. Going forward, the promoters are expected to extend need-based support, if required.

Liquidity position: Adequate

The company's liquidity position remains adequate, supported by the expectation of healthy cash accruals of Rs. 70-75 crore in FY2026, a buffer of Rs. 35 crore in fund-based working capital lines, and free cash and bank balances of Rs. 76 crore as on November 30, 2025. The company has debt repayments of Rs. 40-45 crore in FY2026 and Rs. 25-30 crore in FY2027 on existing facilities. Further, the company has a capex of around Rs. 15 crore in Q4 FY2026 and Rs. 50-55 crore in FY2027, to be funded through a mix of debt and internal accruals.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant scale-up in revenues and an improvement in the operating profitability margin of the company, leading to lower dependence on external debt.

Negative factors - The ratings could witness a downward revision in case of any sustained adverse impact on the earnings of the company. Further, any larger-than-expected debt-funded capex, higher working capital requirement, or support to group companies, resulting in a deterioration in the financial risk profile and liquidity, can trigger a downward rating action. A specific credit metric for ratings downgrade would be debt service coverage ratio (DSCR) of less than 1.6 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Auto Components Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered consolidated financials of company. As on March 31, 2025, the company had 3 subsidiaries and 2 JVs which are all enlisted in Annexure II.

About the company

Caparo Engineering India Limited (CEIL), a part of the Caparo Group, was established in May 2000 and specialises in manufacturing automotive components, including stamping and welding (BIW and skin parts), aluminium foundry and machining, hot steel forging, high-tensile fasteners, and commercial tool room products. The company supplies to leading commercial, passenger, and off-highway automobile OEMs and operates 12 manufacturing facilities across various locations in India.

As of March 31, 2025, the company had two joint ventures (JVs), Caparo MI Steel Processing Private Limited and Caparo Power Limited, with ownership interests of 70% and 60.13%, respectively. Further, Caparo Autotech Limited and Caparo Logistics Limited (formerly Caparo Procam Infrastructure Limited) are CEIL's wholly owned subsidiaries with 100% ownership, while Caparo Shinyong Tool Private Limited is a subsidiary with an 80% ownership stake (previously nil as of March 31, 2024).

Key financial indicators (audited)

(consolidated)	FY2024	FY2025
Operating income	1,584.4	1,514.1
PAT	35.4	19.8
OPBDIT/OI	6.3%	5.2%
PAT/OI	2.2%	1.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.7
Total debt/OPBDIT (times)	2.8	3.6
Interest coverage (times)	3.6	2.6

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

Instrument	Chronology of rating history for the past 3 years									
	Current rating (FY2026)				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long-Term	58.70	Jan 21, 2026	[ICRA]BBB+(Stable)	-	-	-	-	-	-
Working capital facilities (CC/WCDL)	Long-Term	155.00	Jan 21, 2026	[ICRA]BBB+(Stable)	-	-	-	-	-	-
Fund based – Supplier Credit	Short-Term	20.00	Jan 21, 2026	[ICRA]A2	-	-	-	-	-	-
Non-Fund based – Letter of Credit/Bank Guarantee	Short-Term	130.00	Jan 21, 2026	[ICRA]A2	-	-	-	-	-	-
Unallocated Limits	Long-Term/Short-Term	41.30	Jan 21, 2026	[ICRA]BBB+(Stable)/ [ICRA]A2	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-Term -Fund based – Term Loan	Simple
Long-Term -Fund based – Working capital facilities (CC/WCDL)	Simple
Short-Term -Fund based – Supplier Credit	Simple
Short-Term -Non-Fund based – Letter of Credit/Bank Guarantee	Simple
Long-Term/Short-Term – Unallocated Limits	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 – Term Loan-I	FY2025*	NA	FY2027	1.33	[ICRA]BBB+(Stable)
NA	Long-Term -Fund based – Term Loan-II	FY2025*	NA	FY2029	18.83	[ICRA]BBB+(Stable)
NA	Long-Term -Fund based – Term Loan-III	FY2025	NA	FY2027	8.10	[ICRA]BBB+(Stable)
NA	Long-Term -Fund based – Term Loan-IV	FY2026	NA	FY2029	9.17	[ICRA]BBB+(Stable)
NA	Long-Term -Fund based – Term Loan-V	FY2025*	NA	FY2029	16.17	[ICRA]BBB+(Stable)
NA	Long-Term -Fund based – Proposed Term Loan-VI	NA	NA	NA	5.10	[ICRA]BBB+(Stable)
NA	Long-Term -Fund based – Working capital facilities (CC/WCDL)	NA	NA	NA	155.00	[ICRA]BBB+(Stable)
NA	Short-Term -Fund based – Supplier Credit	NA	NA	NA	20.00	[ICRA]A2
NA	Short-Term -Non-Fund based – Letter of Credit/Bank Guarantee	NA	NA	NA	130.00	[ICRA]A2
NA	Long-Term/Short-Term – Unallocated Limits	NA	NA	NA	41.30	[ICRA]BBB+(Stable)/ [ICRA]A2

*Source: Company; *as per the latest sanction letter*

[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
Caparo MI Steel Processing Limited	70%	Equity Method
Caparo Power Limited	60%	Equity Method
Caparo Logistics Limited	100%	Full Consolidation
Caparo Shinyong Tool Private Limited	80%	Full Consolidation
Caparo Autotech Limited	100%	Full Consolidation

Source: FY2025 audited financials

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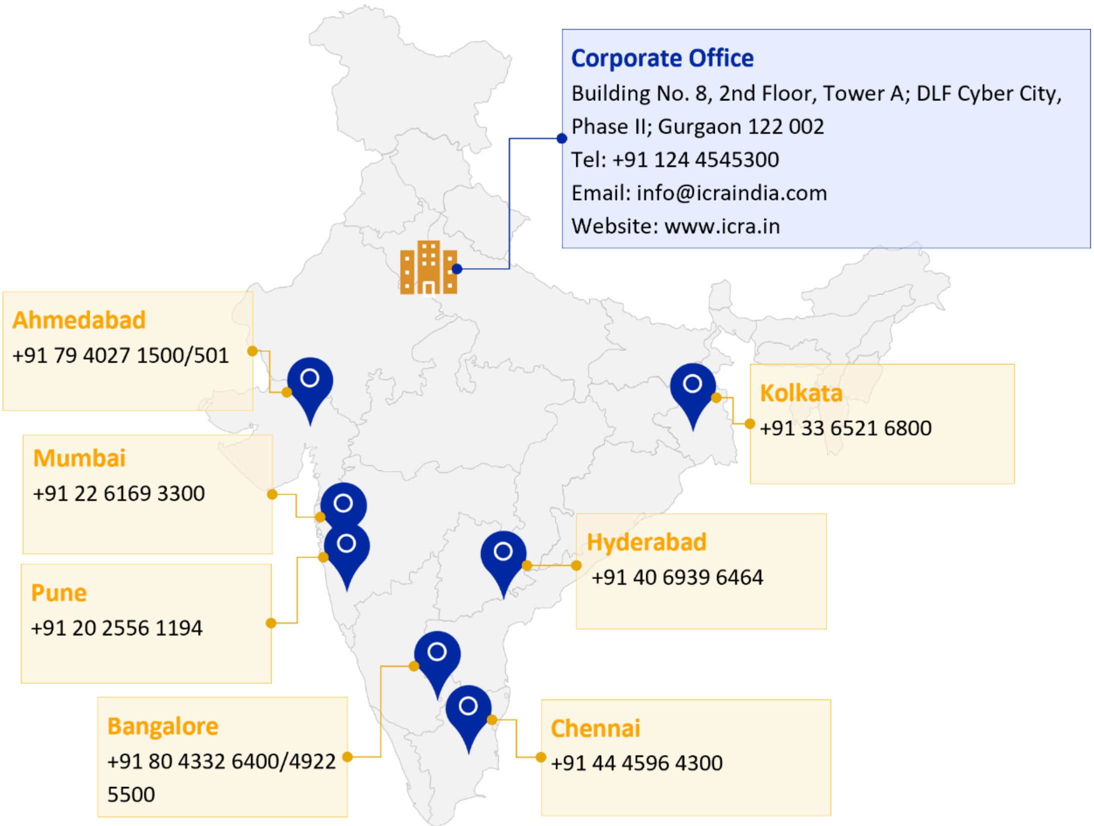

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