

February 13, 2026

MSL Driveline Systems Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/ Short-term Fund-based Facilities	65.00	65.00	[ICRA]A+ (Stable)/ [ICRA]A1; reaffirmed
Long-term/ Short-term Fund-based/Non-fund Based Facilities	50.00	50.00	[ICRA]A+ (Stable)/ [ICRA]A1; reaffirmed
Long-term Fund based – Term Loan	40.00	40.00	[ICRA]A+ (Stable); reaffirmed
Short-term Non-fund Based Facilities	5.00	5.00	[ICRA]A1; reaffirmed
Total	160.00	160.00	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of ratings for MSL Driveline Systems Limited (MSL) continues to consider the extensive experience of its promoters in the automotive, including auto ancillary business, along with its established business relationships with leading domestic original equipment manufacturers (OEMs). The company enjoys sole/key supplier status for several models of leading automotive OEMs in the domestic market, which lends support to revenue visibility and growth prospects. The ratings also factor in MSL's reputation in the commercial vehicle (CV) segment over the years, which has enabled diversification of its revenues into the heavy commercial vehicle (HCV) segment, beyond the traditional utility vehicle (UV) and light commercial vehicle (LCV) segments. Further, the ratings derive comfort from the company's healthy capital structure, marked by an overall gearing of 0.2 times as on March 31, 2025, as well as December 31, 2025 (0.3 times as on March 31, 2024), and robust credit metrics, with interest coverage and DSCR of 24.2 times and 9.2 times, respectively, in FY2025.

The ratings, however, remain constrained by factors such as dependence on the rear-wheel and 4x4 drive UV segment, which at present is witnessing a shift in customer preference towards front-wheel drive vehicles, along with susceptibility of profitability to raw material price volatility and foreign exchange (forex) fluctuations. However, the company's initiatives to expand its presence in the HCV segment (which would continue to be a rear-wheel drive market) and its hedging mechanism for forex exposure through forward contracts mitigate these risks to some extent. While MSL's business profile also remains exposed to the ongoing electrification in the automotive sector, with some of its product offerings facing obsolescence risk due to automotive electrification, comfort is drawn from the relatively slower pace of electrification in its key automotive segments of sport utility vehicles (SUVs) and CVs.

MSL reported a modest 3% revenue growth in FY2025, in line with the muted performance of the key underlying domestic automotive segments, HCV and LCV. The revenue growth momentum remained subdued in 10M FY2026 as well, with the company reporting a marginal 1% YoY decline in revenues during this period, as a steep decline in exports offset the incremental revenue contribution from domestic sales. The declining share of exports also led to some moderation in the operating profit margin (OPM) to 8.8% in 9M FY2026 from 11.2% in FY2025, given the relatively better margins commanded by export sales vis-à-vis domestic sales. While ICRA notes the muted near-term revenue growth momentum for MSL due to declining export sales, comfort is drawn from robust volume offtake in the domestic market in H2 FY2026, fueled by GST rate cuts in the automotive segments catered to by the company. Furthermore, the increasing penetration of UVs within the passenger vehicle (PV) segment is likely to augur well for the company's business prospects over the medium term. ICRA also

notes the active efforts undertaken by MSL to develop a product range for front-wheel drive vehicles, which should support its revenue growth momentum over the medium to long term.

ICRA also notes the recent sizeable cash outflow in the form of share buybacks (around Rs. 40-45 crore per annum in FY2024 and FY2025). These share buybacks and dividend payouts were undertaken to help the promoters fund their debt repayment obligation towards the Rs. 115-crore loan availed in December 2016 for the purchase of a 37.5% stake in MSL from Mahindra & Mahindra Limited (M&M; rated [ICRA]AAA(Stable)/[ICRA]A1+). As the said debt has been fully repaid by the promoters in December 2024, ICRA expects the quantum of share buybacks or dividend payouts to moderate to an extent, going forward. The quantum of dividend payouts or share buybacks and their potential impact, if any, on the liquidity position remain key rating monitorables going forward.

The Stable outlook on the rating reflects ICRA's expectation that MSL is likely to sustain its operating metrics (such as volume offtake), aided by sufficient revenue visibility from its domestic clientele. Profitability over the medium term is likely to be supported by the company's focus on high-margin product offerings and expansion of its product portfolio. Further, the outlook underlines ICRA's expectation that the entity's incremental capex and share buybacks/dividend payouts will be funded in a manner that enables it to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in auto ancillary business – The promoters have more than two decades of experience in the auto components industry. Such extensive experience has provided MSL with access to international clients and product innovation, thereby enabling an increased share of business with OEMs. The established track record of MSL in supplying critical automotive components has also helped the company acquire new clientele in both domestic and overseas markets over the years.

Established business relationships with major OEMs in domestic UV and CV markets, notable revenue share from exports – MSL is a tier-I supplier to several OEMs in India, including M&M, Ashok Leyland Limited (ALL; rated [ICRA]AA+(Stable)/[ICRA]A1+), Tata Motors Limited (TML; rated [ICRA]AA+(Stable)/[ICRA]A1+), VE Commercial Vehicles India Limited (VECV; rated [ICRA]AA+(Stable)/[ICRA]A1+), and Force Motors Limited, among others. Strong relationships with these OEMs have supported the company in pursuing incremental business over the years, thereby supporting MSL's overall growth prospects. Moreover, the company has historically generated a notable revenue share from exports, providing incremental geographic diversification to its revenue base.

Comfortable capital structure and coverage indicators – MSL's capital structure and credit metrics have remained healthy, supported by healthy accretion to net worth and limited debt-funded capex, as reflected in a gearing of 0.2 times, interest coverage of 24.2 times and DSCR of 9.2 times in FY2025. Limited debt repayment obligations, coupled with a moderate quantum of capex outlay over the near term, are expected to continue providing comfort to the capital structure, going forward. Accordingly, ICRA expects MSL's gearing and TD/OPBITDA to remain comfortable, at 0.2-0.4 times and 0.8-1.0 times, respectively, as on March 31, 2026.

Credit challenges

Sizeable cash outflow in the form of share buybacks and dividends – MSL has undertaken a series of share buybacks and dividend payouts of around Rs. 214 crore (including taxes) over FY2020-FY2025. These were undertaken to help the promoters fund their debt repayment obligation towards the Rs. 115-crore loan (which has now been fully repaid, with the last repayment in December 2024) availed in December 2016 for the purchase of a 37.5% stake in MSL from M&M. Over the years, sizeable cash outflows in the form of share buybacks and dividends restricted MSL's overall cash inflows, despite healthy profitability. As the said debt has been fully repaid as on date, ICRA expects some moderation in the quantum of dividend payouts and

share buybacks going forward. Nevertheless, cash outflows in the form of dividend payouts and share buybacks will remain a key monitorable going forward.

Profitability susceptible to raw material price fluctuations and foreign currency movements – MSL has relatively lower bargaining power with its customers, as evidenced by its limited ability to pass on increases in raw material prices to customers with immediate effect. Typically, the company is able to pass on price increases partially, with a time lag of two to three months, which impacts profitability. While the company has renegotiated with OEMs to pass on movements in raw material costs, there are limitations on passing on increases in conversion costs. Additionally, the company typically derives about 15-20% of its revenues from exports, which exposes it to exchange rate risks. This risk is, however, partially mitigated by a natural hedge through imports, which contributed 24-28% of total purchases in FY2025 and H1 FY2026. To further mitigate the risk, the company undertakes hedging through forward covers for a part of its overall exposure. While a depreciating Rs. is beneficial for MSL's export prospects, muted demand for class 6 and class 8 trucks in the North American market is impacting export sales at present. The declining share of exports has also led to some moderation in the OPM, to 8.8% in 9M FY2026 from 11.2% in FY2025, given the relatively better margins associated with export sales vis-à-vis domestic sales.

Relatively higher dependence on rear-wheel and 4x4 UV segments – MSL's products primarily cater to the rear-wheel and 4x4 UVs. However, the UV segment is witnessing a shift in preference towards front-wheel drive, which can impact MSL's growth prospects over the long term. However, the company's efforts to diversify into the CV segment, which is expected to remain a rear-wheel drive segment, provide some comfort. While ongoing electrification in the automotive sector may expose MSL to product obsolescence risk for certain products, the risk is mitigated to an extent by— (i) the relatively slower pace of electrification in the SUV and CV segments, which are its key automotive segments, and (ii) its active efforts to offer technology-agnostic products (i.e., products required for internal combustion engine [ICE] vehicles as well as electric vehicles [EVs]). MSL's active efforts to expand its product portfolio to offer transmission components for front-wheel drive vehicles are also expected to support its revenue growth momentum over the longer term. Given its operational exposure to the CV and UV segments, MSL reported limited revenue growth of 5% and 3% YoY in FY2024 and FY2025, respectively, and is expected to witness muted revenue growth in FY2026 due to declining exports. Nevertheless, new client additions in the recent past and the company's efforts to expand its product portfolio are expected to support revenue growth over the medium term.

Liquidity position: Adequate

MSL's liquidity position is adequate, supported by annual cash flows of Rs. 40-50 crore from operations. Liquidity is further supported by undrawn working capital limits of Rs. 77.0 crore and free cash and bank balances of Rs. 15.0 crore as on September 30, 2025. The company maintains a comfortable buffer of Rs. 70-80 crore in the form of undrawn working capital lines, which lends support to its liquidity profile. The average fund-based working capital utilisation for the 12-month period ended September 2025 remained low at 22%, underlining the company's limited dependence over external borrowings to meet its working capital requirements. The capex for FY2026 is expected to remain moderate at Rs. 15-20 crore and is likely to be funded through a mix of internal accruals and bank borrowings. Capex outlay over the medium term remains at Rs. 40-45 crore per annum and is expected to be funded through a mix of internal accruals and bank borrowings. Debt repayment obligations remain limited over the near term at Rs. 5-10 crore per annum. Any material cash outflow in the form of dividend payouts or share buybacks, which could impact the company's liquidity position, remains a key monitorable.

Rating sensitivities

Positive factors – ICRA could upgrade MSL's ratings if there is a significant improvement in the scale of operations, along with enhanced profitability and diversification in end-user industries.

Negative factors – ICRA could downgrade MSL's ratings in case of any sustained deterioration in its debt coverage indicators and liquidity profile. Higher-than-anticipated dividend payout or share buyback leading to weakening of liquidity position on a sustained basis, may also lead to ratings downgrade. Specific credit metrics that could lead to a downgrade of MSL's ratings include total debt/OPBITDA exceeding 1.5 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	The ratings are based on the standalone financials of MSL Driveline Systems Limited.

About the company

MSL (erstwhile Mahindra Sona Limited) began operations in 1979 from a Nashik-based facility (Maharashtra) as part of the joint venture (JV), Mahindra Spicer Limited, between M&M and Dana Corporation, USA. In 1984, Mahindra Spicer Limited was merged with M&M and became the automotive component unit of M&M. In March 1995, M&M and Sona Koyo Steering Systems Limited (Sona Koyo) formed a JV, Mahindra Sona Limited (Mahindra Sona). The assets of M&M's automotive component unit were transferred to Mahindra Sona for a consideration of Rs. 14.0 crore. Until December 2016, the M&M Group and the Sona Group each held a 37.5% stake, with the remaining 25% held by strategic investors. On December 16, 2016, MSONA Automotive Components Private Limited (MSona) acquired M&M's 37.5% stake in Mahindra Sona, and subsequently the company was renamed MSL Driveline Systems Limited in March 2017. At present, the promoters hold a 75% stake in MSL, with the balance held by strategic investors.

The company is involved in designing and manufacturing a wide range of auto ancillary products, such as propeller shafts, clutches, universal joint kits, steering joints, and axle shafts for CVs and UVs. While domestic OEMs remain the key customers for MSL, the company also has a presence in select overseas markets, including the US.

Key financial indicators

MSL (Standalone)	FY2024	FY2025	9M FY2026
Operating Income (Rs. crore)	824.7	846.8	616.6
PAT (Rs. crore)	58.3	60.3	30.7
OPBDIT/OI (%)	11.4%	11.2%	8.8%
PAT/OI (%)	7.1%	7.1%	5.0%
Total Outside Liabilities/Tangible Net Worth (times)	0.9	0.7	NA
Total Debt/OPBDIT (times)	0.8	0.6	0.8
Interest Coverage (times)	16.0	24.2	19.6

Source: MSL, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; NA – Not Available

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 13, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based Bank Facilities	Long-term/Short-term	65.00	[ICRA]A+ (Stable)/[ICRA]A1	Jan 3, 2025	[ICRA]A+ (Stable)/[ICRA]A1	Jan 9, 2024	[ICRA]A+ (Stable)/[ICRA]A1	Nov 15, 2022	[ICRA]A+ (Stable)/[ICRA]A1
Fund-based /Non-fund Based Bank Facilities	Long-term/Short-term	50.00	[ICRA]A+ (Stable)/[ICRA]A1	Jan 3, 2025	[ICRA]A+ (Stable) / [ICRA]A1	Jan 9, 2024	[ICRA]A+ (Stable) / [ICRA]A1	Nov 15, 2022	[ICRA]A+ (Stable) / [ICRA]A1
Fund based – Term loan	Long-term	40.00	[ICRA]A+ (Stable)	Jan 3, 2025	[ICRA]A+ (Stable)	Jan 9, 2024	[ICRA]A+ (Stable)	Nov 15, 2022	[ICRA]A+ (Stable)
Non-fund Based Bank Facilities	Short-term	5.00	[ICRA]A1	Jan 3, 2025	[ICRA]A1	Jan 9, 2024	[ICRA]A1	Nov 15, 2022	[ICRA]A1

Source: Company

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term / Short-term, Fund-based Bank Facilities	Simple
Long-term / Short-term, Fund-based /Non-fund Based Bank Facilities	Simple
Long-term Fund based – Term loan	Simple
Short-term, Non-fund Based Bank Facilities	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-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long-term / Short-term, Fund-based Bank Facilities	NA	NA	NA	65.00	[ICRA]A+(Stable)/ [ICRA]A1
NA	Long-term / Short-term, Fund-based /Non-fund Based Bank Facilities	NA	NA	NA	50.00	[ICRA]A+(Stable)/ [ICRA]A1
NA	Long-term Fund based – Term loan	FY2025	NA	FY2030	40.00	[ICRA]A+(Stable)
NA	Short-term, Non-fund Based Bank Facilities	NA	NA	NA	5.00	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Jitin Makkar

+91 124 4545368

jitinm@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Mythri Macherla

+91 22 6114 3435

mythri.macherla@icraindia.com

Yashowardhan Swami

+91 20 6606 9923

yashowardhan.swami@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

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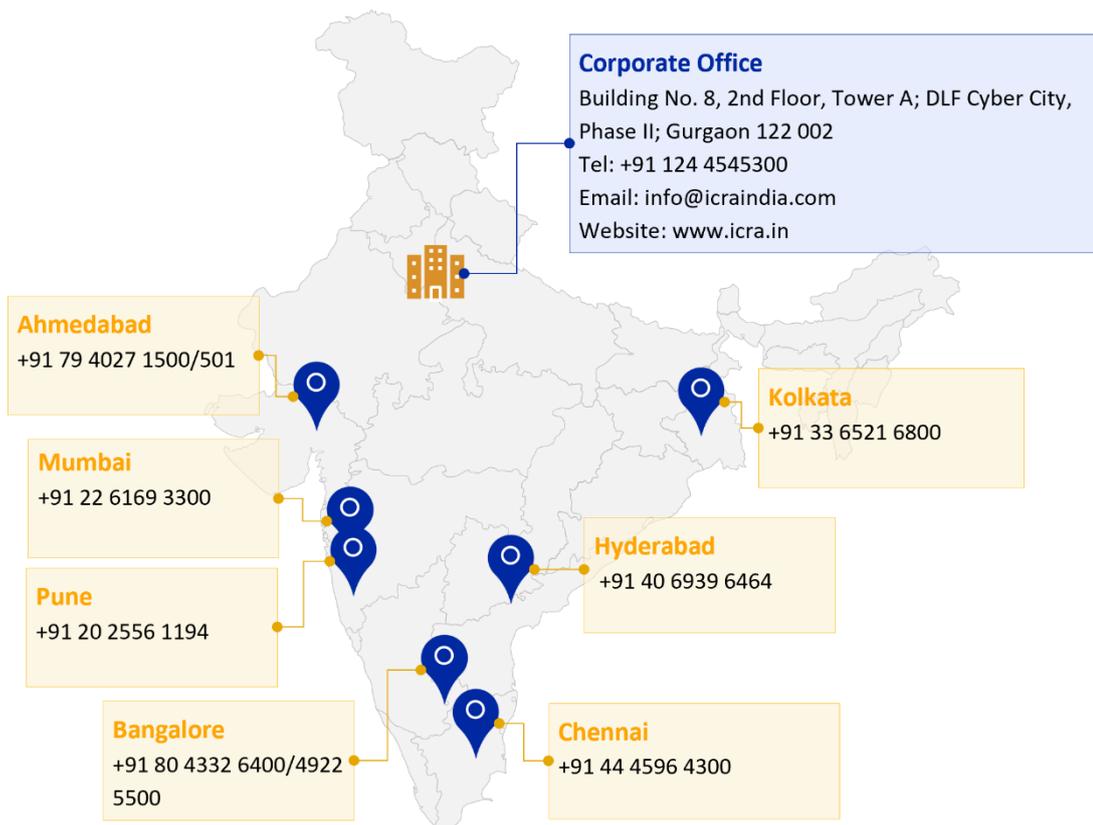
Registered Office

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

Tel: +91 11 23357940-45



Branches



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