

March 03, 2023

Mahindra CIE Automotive Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long Term/Short Term – Fund Based/ Non-Fund Based	580.00	580.00	[ICRA]AA-(Positive)/outstanding [ICRA]A1+;
Unallocated Limits – Short Term / Long Term	10.00	10.00	[ICRA]AA-(Positive)/outstanding [ICRA]A1+;
Commercial Paper	200.00	200.00	[ICRA]A1+; outstanding
Total	790.00	790.00	

*Instrument details are provided in Annexure-1

Rationale

Material Event

Mahindra CIE Automotive Limited (MCIE or the company), as part of the financial results for CY2022 published on February 22, 2023, detailed its plans to actively locate a buyer for its German Forging Operations comprising CIE Forgings Germany GmbH (CFG) and its subsidiaries. In accordance with the applicable accounting standards, all the German Forging operations have been shown as discontinued operations, and its assets and liabilities have been categorized as assets and liabilities held for sale.

Impact of the Material Event

ICRA takes notes of MCIE's decision to dispose off its German Forging Operations by identifying a buyer for the same. While the German Forging business (German truck forging) has historically contributed ~20% of MCIE's consolidated revenues, the same has been at relatively lower margins vis-à-vis the other businesses. Therefore, the disposal of the business is expected to result in a better margin profile, albeit on a lower scale of operations. Nonetheless, the contours of the transaction such as the deal value and its timelines would also have credit implications. Accordingly, ICRA will continue to monitor developments on this front and take appropriate rating action as and when necessary.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Suppliers
Parent/Group Support	Not applicable
Consolidation/Standalone	Consolidated. For arriving at the ratings, ICRA has considered the consolidated financials of MCIE. As on December 31, 2022, the company had six subsidiaries and eight step-down subsidiaries, which are all listed in Annexure-2.

About the company

Mahindra CIE Automotive Limited is part of the global auto component player, CIE Automotive Group, based out of Spain. MCIE was earlier known as Mahindra Forgings Limited (part of the Mahindra Systech division) and was later renamed, following the integration of the Mahindra Group's Systech business with CIE's operations, which was announced in 2013.

Mahindra Systech, a division of Mahindra & Mahindra, was created in 2004 to capitalise on the opportunities presented by the growth of the Indian automobile component industry. The Systech division was formed through the amalgamation of some existing Mahindra Group companies combined with a series of acquisitions in India and Europe. The Systech auto component division (comprising multiple companies, listed and unlisted) encompassed products across forgings, stampings, castings, gears, magnetic products and composites. Apart from its strong presence in forgings, MCIE is among the largest ductile iron casting and compression moulded auto components manufacturers in India. Its standalone operations consist of six product segments—forgings, castings, stampings, composites, magnetic products and gears. Following the acquisition of Bill Forge Private Limited in CY2016, the company gained strong traction in precision forged and machined automotive components for domestic 2W and PV segments. Its European operations, especially for MFE and CIE Galfor, consist of forged components, while Metalcastello is primarily involved in the gears segment. In April 2019, the company completed the acquisition of Aurangabad Electricals Limited (AEL), which helped it to enter the aluminium die-casting business and the less cyclical 2W automotive segment in the Indian market.

Key financial indicators

MCIE Consolidated	CY2021 Audited ¹	CY2022 Audited ¹
Operating Income (Rs. crore)	6,765.2	8,753.0
PAT (Rs. crore)	391.6	-138.4*
OPBDIT/OI (%)	13.9%	13.4%
PAT/OI (%)	5.8%	-1.6%
Total Outside Liabilities/Tangible Net Worth (times)	0.9	0.9
Total Debt/OPBDIT (times)	1.6	0.8
Interest Coverage (times)	27.1	51.6

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ¹ CY2021 and CY2022 both exclude CFG in the P&L; Balance sheet for December 2022 is adjusted for the proposed sale (with assets and liabilities classified as held for sale, but same is not reflected in the December 2021 balance sheet; * after exceptional, non-cash loss on fair valuation of assets and liabilities of disposal group of Rs. 923.3 crore

Source: MCIE, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated	Amount Outstanding as of December 31, 2022	Date & Rating on		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
			(Rs. crore)	(Rs. crore)	3-Mar-2023	29-Apr-2022	29-Apr-2021	-	21-Jan-2020
1	Fund-based/ Non-Fund Based Facilities	Long-term/ Short-term	580.0	-	[ICRA]AA- (Positive)/ [ICRA] A1+	[ICRA]AA- (Positive)/ [ICRA] A1+	[ICRA]AA- (Positive)/ [ICRA] A1+	-	[ICRA]AA- (Stable)/ [ICRA] A1+
2	Unallocated Amount	Long-term/ Short-term	10.00	-	[ICRA]AA- (Positive)/ [ICRA] A1+	[ICRA]AA- (Positive)/ [ICRA] A1+	[ICRA]AA- (Positive)/ [ICRA] A1+	-	-
3	Commercial Paper	Short-term	200.0	0.0*	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	[ICRA]A1+

Source: Company; *Not yet placed

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based/Non-Fund Based Facilities	Simple
Unallocated Amount	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-1: Instrument details

ISIN No	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund-based/Non-Fund Based Facilities	-	NA	-	580.00	[ICRA]AA- (Positive)/ [ICRA] A1+
NA	Unallocated Amount	-	NA	-	10.00	[ICRA]AA- (Positive)/ [ICRA] A1+
Unplaced	Commercial Paper	-	NA	-	200.00*	[ICRA]A1+

Source: Company; *Not yet placed

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

Annexure-2: List of entities considered for consolidated analysis

Company Name	MCIE Ownership	Consolidation Approach
Stokes Group Limited	100%	Full Consolidation
CIE Forgings Germany GmbH	100%	Full Consolidation
Jeco Jellinghaus GmbH	100%	Full Consolidation
Gesensschmiede Schneider GmbH	100%	Full Consolidation
Falkenroth Umformtechnik GmbH	100%	Full Consolidation
Schoeneweiss & Co. GmbH	100%	Full Consolidation
Metalcastello SPA	99.96%	Full Consolidation
CIE Galfor S.A.U.	100%	Full Consolidation
CIE Legazpi S.A.	100%	Full Consolidation
UAB CIE LT Forge	100%	Full Consolidation
BF Precision Private Limited	100%	Full Consolidation
Bill Forge Mexico S de RL de CV	100%	Full Consolidation
Aurangabad Electricals Limited	100%	Full Consolidation
CIE Hosur Limited	100%	Full Consolidation

Source: MCIE

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