

August 22, 2023

CIE Automotive India Limited (erstwhile 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 – Working capital facilities	575.0	575.0	[ICRA]AA (Stable)/ [ICRA]A1+
Commercial paper	200.0	200.0	[ICRA]A1+
Total	775.0	775.0	

*Instrument details are provided in Annexure-1

Rationale

Material Event

CIE Automotive India Limited (erstwhile Mahindra CIE Automotive Limited) (CAIL or the company), vide its press release dated August 10, 2023, announced the approval of its board of directors for divestment of 100% stake held by CIE Forging Germany GmbH (CFG, 100% subsidiary of CAIL) in its wholly-owned subsidiaries, namely Jeco Jellinghaus GmbH (JECO), Gesenkschmiede Schneider GmbH (GSA), Falkenroth Umformtechnik GmbH (FUG) and Schoneweiss & Co. GmbH (SCG), subject to receipt of necessary approvals, and approval of the shareholders of CAIL. This follows the company's decision to exit this business in December 2022, since when it has been classified as discontinued operations. CFG (the seller) and the buyer (Mutares SE & Co KgaA) have entered into binding agreements, and the transaction is expected to be completed by the end of September 2023. The net consideration to be received by CFG for the said transaction is EUR 25.0 million, including EUR 2.3 million which is dependent on realisation of certain financial assets.

Impact of Material Event

While the divestment of the German forging operations (with revenues of Rs. 2,013 crore in CY2022, ~19% of the consolidated revenues of CAIL) would result in a temporary impact on the consolidated revenues of CAIL, given the relatively lower margin profile of the business, it would support an improvement in the overall margin profile and return indicators of the company, going forward. Moreover, the divestment will result in an overall reduction in total debt and thus improvement in coverage indicators of CAIL. Overall, ICRA does not expect any material impact of the proposed divestment on the credit profile of CAIL and, therefore, ratings remain unchanged at [ICRA]AA (Stable)/[ICRA]A1+.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Environmental and Social Risks, Liquidity position, and Rating sensitivities. [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Manufacturers
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of CAIL. 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

CAIL is part of the global auto component player, CIE Automotive Group, based out of Spain. The company 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 business¹ with CIE's operations, which was announced in 2013. The complete integration was achieved in FY2015 during which Mahindra Forgings (India & Europe), Mahindra Ugine Steel (MUSCO), Mahindra Investment (Gears division), Mahindra Hinoday and the European forging division of CIE (CIE Galfor, Spain) were combined into a single entity - CAIL. At present, CAIL has operations in Germany, Italy, Spain, Lithuania and India.

Apart from its strong presence in forgings, CAIL is among the largest ductile iron casting and compression moulded auto component manufacturers in India. Its standalone operations consist of six product segments—forgings, castings (iron and aluminium), 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 the domestic 2W and PV segments. Its European operations comprise largely 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 in the Indian market. In the previous fiscal (CY2022), the company announced its plans to sell off the Germany forging business (CIE Forgings Germany/CFG), and the transaction is expected to be completed by the end of September 2023.

Key financial indicators

CAIL Consolidated	CY2021 Audited ²	CY2022 Audited ²	H1 CY2023 Unaudited ²
Operating Income (Rs. crore)	6,802.3	8,789.9	4,760.5
PAT (Rs. crore)	391.7	-138.4*	580.8
OPBDIT/OI (%)	14.4%	13.8%	15.8%
PAT/OI (%)	5.8%	-1.6%*	12.2%
Total Outside Liabilities/Tangible Net Worth (times)	0.9	0.9	0.8
Total Debt/OPBDIT (times)	1.5	0.8	0.6
Interest Coverage (times)	28.1	53.3	16.3

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ² financials exclude CFG in the P&L; Balance sheet for December 2022 and June 2023 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: CAIL, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ 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.

Rating history for past three years

	Instrument	Current Rating (FY2024)				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 FY2023	Date & Rating in FY2022	Date & Rating in FY2021
			(Rs. crore)	(Rs. crore)	27-Apr-2023 22-Aug-2023	3-Mar-2023 29-Apr-2022	29-Apr-2021	-
1	Fund-based/ Non-Fund Based Facilities	Long-term/ Short-term	575.0	241.1	[ICRA]AA (Stable)/ [ICRA] A1+	[ICRA]AA- (Positive)/ [ICRA] A1+	[ICRA]AA- (Positive)/ [ICRA] A1+	-
2	Commercial Paper	Short-term	200.0	0.0*	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-
3	Unallocated Amount	Long-term/ Short-term	-	-	-	[ICRA]AA- (Positive)/ [ICRA] A1+	[ICRA]AA- (Positive)/ [ICRA] A1+	-

Source: Company; *not yet placed

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based/Non-Fund Based Facilities	Simple
Commercial Paper	Very 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	-	575.00	[ICRA]AA (Stable)/ [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	CAIL 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	99.99%	Full Consolidation
Aurangabad Electricals Limited	100%	Full Consolidation
CIE Hosur Limited	100%	Full Consolidation

Source: CAIL

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