

## Mahindra Auto Steel Private Limited

Instrument	Amount	Rating
		<b>March 2016</b>
Term Loan	Rs. 15.0 crore (reduced from Rs. 45.0 crore)	Upgraded to [ICRA]A+ (Stable) from [ICRA]A (Stable)
Long-term, fund based limits	Rs. 30.0 crore	Upgraded to [ICRA]A+ (Stable) from [ICRA]A (Stable)
Long-term, non-fund based	Rs. 35.0 crore	Upgraded to [ICRA]A+ (Stable) from [ICRA]A (Stable)
Short-term, non-fund based limits	Rs. 50.0 crore	Upgraded to [ICRA]A1+ from [ICRA]A1
Long / Short-term, unallocated	Rs. 45.0 crore (reduced from Rs. 95.0 crore)	Upgraded to [ICRA]A+ (Stable)/ [ICRA]A1+ from [ICRA]A (Stable)/ [ICRA]A1

ICRA has upgraded the long-term rating to the Rs. 15.0 crore<sup>1</sup> (reduced from Rs. 45.0 crore) term loans, Rs. 30.0 crore long-term fund based facilities, and Rs. 35.0 crore long-term non-fund based bank facilities of Mahindra Auto Steel Private Limited (MASPL)<sup>2</sup> to [ICRA]A+ (pronounced ICRA A plus) from [ICRA]A (pronounced ICRA A). The outlook on long term rating is 'Stable'. ICRA has also upgraded the short-term rating to the Rs. 50.0 crore short-term non-fund based bank facilities of MASPL to [ICRA]A1+ (pronounced ICRA A one plus) from [ICRA]A1 (pronounced ICRA A one). ICRA has also upgraded the long term/short term rating to the Rs. 45.0 crore (reduced from Rs. 95.0 crore) proposed bank facilities of MASPL to [ICRA]A+ / [ICRA]A1+ from [ICRA]A / [ICRA]A1.

The ratings upgrade favourably factors in the successful project completion and commencement of commercial production at MASPL's manufacturing facility at Chakan, Maharashtra in August 2015 and the fact that the operations of the company remain profitable even at a low capacity utilisation rate currently. The ratings also take into consideration the strong parentage, given MASPL's status as a joint venture (JV) between Mahindra Intertrade Limited (MIL), China Global Steel Trading Corporation (CSGT) and Mitui & Co. (Asia Pacific) Pte. Ltd (Mitsui), and presence of group companies and large reputed auto OEMs as customers, which reduces counterparty credit risks. MASPL's capital structure remains comfortable as the project was largely equity-funded with the promoters infusing equity of Rs. 68.5 crore towards the total project cost of Rs. 98.1 crore.

The ratings are, however, constrained by slow improvement in demand from the Mahindra & Mahindra Limited (M&M) group companies, which is likely to keep the capacity utilisation rates of MASPL low in the near term at least. The ratings are also tempered by the MSSCL's exposure to customer concentration risks given the company's small customer base, and its susceptibility to cyclicity in the automobile industry, which is the only end-user for the company's products at present.

MASPL's capacity utilisation levels have remained low at 13% in FY2016. Slower-than-anticipated pick-up in the capacity utilisation rates could adversely impact the financial profile of the company and hence remains the key rating sensitivity.

### Company Profile

Incorporated in 2013, Mahindra Auto Steel Private Limited (MASPL) is a joint venture between Mahindra Intertrade Limited (MIL, 51% stake), China Steel Global Trading Corporation (CSGT, 24.5%) and Mitsui & Co. (Asia Pacific) Pte. Ltd (Mitsui, 24.5%). MASPL has set up a 100,000 metric tonnes per annum (mtpa) steel blanking facility at Chakan in Maharashtra to manufacture and supply steel blanks, rectangles, trapezoids and profiles to automobile manufacturers. The project was completed in July 2015 and the company commenced commercial production from August 2015.

**March 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



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