July 22, 2025

Mahindra Auto Steel Private Limited: Long-term rating upgraded and short-term rating reaffirmed; long-term rating upgraded and withdrawn for term loan

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based term loan	66.50	0.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable) and withdrawn
Long-term fund-based working capital	0.00	43.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Short-term non-fund-based limits	240.00	172.00	[ICRA]A1+; reaffirmed
Long-term fund-based interchangeable*	(130.00)	(47.00)	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Short-term non-fund based interchangeable^	0.00	(30.00)	[ICRA]A1+; reaffirmed
Long-term/ short-term unallocated	0.00	25.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable) / [ICRA]A1+ reaffirmed
Total	**306.50**	**240.00**	

**Instrument details are provided in Annexure I *cash credit facility is sublimit of non-fund-based facility; ^letter of credit facility is sublimit of Overdraft facility*

Rationale

The upgrade in the long-term rating for Mahindra Auto Steel Private Limited (MASPL or the company) factors in the healthy improvement in its operating performance over FY2023 to FY2025, which in turn has translated into a healthy financial profile, and expectations that the same will sustain over the medium term. In line with the strong demand in the automotive industry, and particularly from its key customer, Mahindra & Mahindra Limited (M&M, rated [ICRA]AAA (Stable)/[ICRA]A1+), MASPL reported a YoY growth of 43% in revenues, which stood at Rs. 1,001.9 crore in FY2025, and an operating profit margin (OPM) of 9.2%. While the OPM declined by 211 bps in FY2025 owing to moderation in steel prices, ICRA expects the same to improve going forward, supported by the likely increase in realisations amid an improved product mix. The company has a comfortable capital structure and healthy debt coverage indicators, as demonstrated by total debt/OPBDITA of 2.0 times and interest coverage of 6.5 times as on March 31, 2025. The ratings also favourably factor in the strong financial flexibility enjoyed by MASPL, for being a part of the Mahindra Group, its status as a joint venture (JV) between Mahindra Accelo Limited (MAL; rated [ICRA]AA+ (Stable)/ [ICRA]A1+) and Mitsui & Co. Limited (Mitsui), and its adequate liquidity profile. The ratings also factor in the high likelihood of MAL or M&M extending financial support to MASPL, should there be a need, because of the close business linkages among them. This is also demonstrated from Rs. 150 crore of inter-corporate deposits (ICDs) advanced by M&M to MASPL as on March 31, 2025. The ratings also derive comfort from MASPL's location-specific advantage from its proximity to M&M's plants and to other auto OEMs.

MASPL's business performance remains exposed to cyclicality in the automobile industry, its end-user industry, and the customer concentration risk, deriving around 90% of its total revenues from M&M, either directly or indirectly. Further, the company's profitability is susceptible to fluctuations in prices of key raw materials, although it has been passing on the impact of the same to its customers with some lag. The ratings also factor in the company's recent capacity expansions towards adding a Class-B component manufacturing line at its existing plant to cater to M&M's additional requirements and the addition of a robotic welding plant. ICRA would continue to monitor progress on this front, including how quickly it is able to ramp up the new line with minimal impact on its profitability and return metrics.

ICRA has upgraded and withdrawn the rating assigned to the term loan facility at the company's request and based on the No Dues Certificate received from the lenders, in accordance with ICRA's policy on withdrawal of ratings.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to benefit from its strong parentage and the established track record of its operations and maintain its comfortable financial risk profile over the medium term.

Key rating drivers and their description

Credit strengths

Strong parentage being a part of the Mahindra & Mahindra Group; access to financial support from MAL/M&M – MASPL has been set up as a JV between MAL (holding a 75.5% stake) and Mitsui (with a 24.5% stake). Being a part of the M&M Group, MASPL has an assured customer in M&M. MASPL also gains from the financial flexibility as it is a part of the Mahindra Group. The ratings assigned to MASPL factor in the high likelihood of MAL or M&M continuing to extend financial support to it, should there be a need, as demonstrated by Rs. 150.0 crore of ICDs advanced by M&M to MASPL as on March 31, 2025. The same was used to prepay the entire term debt of around Rs. 55 crore to fund the capital expenditure (capex) plans and working capital funding requirements.

Comfortable capital structure and healthy debt-protection metrics – MASPL's total debt outstanding as on March 31, 2025, stood at Rs. 150.0 crore (excluding lease liability), comprising entirely ICDs from M&M. The company also reported lease liability of Rs. 39.6 crore as on March 31, 2025, pertaining to the plant in Chakan, Pune. MASPL's gearing stood at 0.9 times as on March 31, 2025. The company's debt protection metrics remained robust with Total Debt/ OPBDITA of 2.0 times as on March 31, 2025, and interest coverage ratio of 6.5 times in FY2025. MASPL is expected to continue to report healthy credit metrics, supported by its robust performance and strong financial support from MAL/M&M.

Location-specific advantage – MASPL has set up its steel blanking facility at Chakan near Pune to meet the demand for steel blanks, profiles and trapezoids from automobile manufacturers located in the nearby region. Further, the company has set up a progressive stamping line at its Chakan plant. The strategic location results in lower freight cost, improving its profitability.

Credit challenges

Susceptibility of business growth to cyclicality in end-user industry – Given the high dependence on the automobile industry, the company's operations remain susceptible to the cyclical downturns in the industry, which can also render its return indicators volatile. This was evident in its performance over the past few fiscals, when revenues fluctuated in line with the demand from the automobile industry and movement in steel prices.

High customer concentration risk – MASPL's customer base comprises auto original equipment manufacturers (OEMs) in and around the Chakan area. M&M and other Mahindra Group companies are the major customers of MASPL, accounting for around 90% of its total sales (either directly or through ancillaries). Nevertheless, the high share of business with M&M, catering to a large part of the OEM's steel requirements, and the improving market position of M&M in the domestic passenger vehicle market, offers comfort.

Margins remain vulnerable to commodity price fluctuations – The basic raw material for the company is steel, and as such its revenues and margins remain exposed to fluctuations in steel prices to a large extent.

Liquidity position: Adequate

MASPL's liquidity position is likely to remain adequate, supported by free cash and bank balances of Rs. 9.9 crore as on March 31, 2025, and fully unutilised working capital lines of around Rs. 90 crore as on March 31, 2025. Moreover, the company is expected to report healthy cash flow from operations of Rs. 40 to 45 crore in FY2026, which will be sufficient to meet its capex requirement of around Rs. 27.0 crore. The company does not have any scheduled debt repayment obligation. Additionally, funding support from MAL/ M&M, in case of any requirement, and the financial flexibility arising for being a part of the Mahindra Group, strengthen its liquidity.

Rating sensitivities

Positive factors – ICRA may upgrade MASPL's rating when the company is able to further diversify its business profile through customer/product additions, while maintaining a comfortable financial risk profile and improving its liquidity position.

Negative factors – Pressure on MASPL's ratings could arise in case of a sustained and material weakening in its earnings, which exerts pressure on its credit profile and liquidity. Deterioration in the credit profile of the parent company or weakening of linkages with the parent company could also result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components Policy On Withdrawal Of Credit Rating
Parent/Group support	Parent / Group Company: Mahindra Accelo Limited (MAL) The ratings assigned to MASPL factor in the high likelihood of its parent, Mahindra Accelo Limited (MAL; rated [ICRA]AA+ (Stable)/ [ICRA]A1+), extending financial support to it because of close business linkages between them. ICRA also expects MAL to be willing to extend financial support to MASPL to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	The ratings are based on the standalone financial statements of MASPL

About the company

Incorporated in 2013, Mahindra Auto Steel Private Limited is a joint venture between Mahindra Accelo Limited (a 75.5% stake) and Mitsui & Co. Limited (a 24.5% stake). MASPL manufactures steel blanks, rectangles, trapezoids and profiles for automobile manufacturers and has a 54,000-MTPA steel blanking facility, a 55,500-MTPA cut-to-length and progressive stamping line, a 4,20,000 strokes/month transfer stamping line and a 12,493-MTPA welding line at Chakan, Maharashtra, to cater to the automobile manufacturers in the region.

Key financial indicators (audited)

MASPL – Standalone	FY2024	FY2025
Operating income	700.7	1,001.9
PAT	44.6	44.3
OPBDIT/OI	11.4%	9.3%
PAT/OI	6.4%	4.4%
Total outside liabilities/Tangible net worth (times)	1.9	1.9
Total debt/OPBDIT (times)	2.0	2.0
Interest coverage (times)	8.8	6.5

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

Current ratings (FY2026)					Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term Loan	Long term	66.50	22-Jul-25	[ICRA]AA (Stable) Withdrawn	31-May-24	[ICRA]AA- (Stable)	-	-	28-Mar-23	[ICRA]AA- (Stable)
Fund-Based Working Capital	Long-Term	43.00	22-Jul-25	[ICRA]AA (Stable)	31-May-24	-	-	-	28-Mar-23	
Non-Fund-Based Limits	Short-Term	172.00	22-Jul-25	[ICRA]A1+	31-May-24	[ICRA]A1+	-	-	28-Mar-23	[ICRA]A1+
Interchangeable	Long-Term	(47.00)	22-Jul-25	[ICRA]AA (Stable)	31-May-24	[ICRA]AA- (Stable)	-	-	28-Mar-23	[ICRA]AA- (Stable)
Interchangeable	Short-Term	(30.00)	22-Jul-25	[ICRA]A1+	31-May-24	-	-	-	28-Mar-23	-
Unallocated	Long term and short term	25.00	22-Jul-25	[ICRA]AA (Stable)/ [ICRA]A1+	31-May-24	-	-	-	28-Mar-23	[ICRA]AA- (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Long-Term Fund-Based Working Capital	Simple
Short-Term Non-Fund-Based Limits	Very Simple
Long-Term Fund Based Interchangeable	Very Simple
Short-Term Non-Fund-Based Interchangeable	Very Simple
Long-term/Short-term Fund based/Non-Fund based Unallocated	NA

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**	FY2020-2021& FY2024	8%-9%	FY2025& FY2030	66.50	[ICRA]AA (Stable) Withdrawn
NA	**Long-Term Fund-Based Working Capital**	NA	NA	NA	43.00	[ICRA]AA (Stable)
NA	**Short-Term Non-Fund-Based Limits**	NA	NA	NA	172.00	[ICRA]A1+
NA	**Long-Term Fund Based Interchangeable**	NA	NA	NA	(47.00)	[ICRA]AA (Stable)
NA	**Short-Term Non-Fund-Based Interchangeable^**	NA	NA	NA	(30.00)	[ICRA]A1+
NA	**Long-term/Short-term Fund based/Non-Fund based Unallocated**	NA	NA	NA	25.00	[ICRA]AA (Stable)/ [ICRA]A1+

*Source: Company *cash credit facility is sublimit of non-fund-based facility; ^letter of credit facility is sublimit of Overdraft facility*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis- Not Applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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