



ICRA Limited

Ref: 2021-22/PUN/016

Date: April 23, 2021

**Mr. K Jayaprakash**  
**Chief Financial Officer**  
**Mahindra CIE Automotive Limited**  
Mahindra Towers, 1st Floor,  
Dr. G.M. Bhosale Marg, Worli,  
Mumbai-400018

**Dear Sir,**

**Re: Surveillance of ICRA rating for Rs. 200.00 crore Commercial Paper (CP) Programme of Mahindra CIE Automotive Limited**

Please refer the Rating Agreement dated December 19, 2018 and RRF Number PUN/2018-19/108 executed between ICRA Limited (“ICRA”) and your Company, whereby, ICRA is required to review its ratings, on an annual basis, or as and when the circumstances so warrant.

Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration has reaffirmed the rating assigned to the aforementioned instrument at “[ICRA]A1+” (pronounced as ICRA A one plus). Instruments with [ICRA]A1 rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

In any of your publicity material or other document wherever you are using the above Rating, it should be stated as [ICRA]A1+.

The Ratings are specific to the terms and conditions of the Instrument as indicated to us by you, and any change in the terms or size of the same would require a review of the Ratings by us. In case there is any change in the terms and conditions or the size of the rated Instrument, the same must be brought to our notice before the Instrument is used by you. In the event such changes occur after the Ratings have been assigned by us and their use has been confirmed by you, the Ratings would be subject to our review, following which there could be a change in the Ratings previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the Instrument from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/or, revise the above Ratings at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Ratings assigned.

The Rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated [Instrument] availed/issued by your company.

Additionally, we wish to highlight the following with respect to the Rating:

- (a) If the instrument rated, as above, is not issued by you within a period of 3 months from the date of this letter, the Rating would need to be revalidated before issuance;
- (b) Our Rating is valid from the date of this letter till July 21, 2022 (“Validity Period”). The Rating will generally be due for review at the end of the Validity Period. The maturity date of CP shall not be after the end of the Validity Period. The CP will have a maximum maturity of twelve months.

The Rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold CP issued by you. The Rating is restricted to your CP programme size of Rs. 200.00 crore only. In case, you propose to enhance the size of the CP programme, the same would require to be rated afresh. ICRA does not assume any responsibility on its part, for any liability, that may arise consequent to your not complying with any eligibility criteria, applicable from time to time, for issuance of CP.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With kind regards,  
Yours sincerely,  
For ICRA Limited

Digitally signed by SUPRIO

BANERJEE

Date: 2021.04.23 15:13:10

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Mr. Suprio Banerjee  
Vice President & Sector Head – Corporate Ratings  
[supriob@icraindia.com](mailto:supriob@icraindia.com)



ICRA

ICRA Limited

**Ref: 2021-22/PUN/023**

**Date: April 29, 2021**

**Mr. K Jayaprakash**  
**Chief Financial Officer**  
**Mahindra CIE Automotive Limited**  
Mahindra Towers, 1st Floor,  
Dr. G.M. Bhosale Marg, Worli,  
Mumbai-400018

**Dear Sir,**

**Re: Surveillance of ICRA-assigned Credit Rating for Rs. 590.00 crore Bank Facilities (details as per Annexure) of Mahindra CIE Automotive Limited.**

Please refer to the Rating Agreement dated March 09, 2017 and RRF No. Pun/2016-17/266 dated March 09, 2017 and Rating Agreement dated December 30, 2019 and RRF No. PUN/SECG/2019-20/18 dated December 19, 2019 executed between ICRA Limited (“ICRA”) and your Company, whereby, ICRA is required to review its ratings, on an annual basis, or as and when the circumstances so warrant.

Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration has retained the long-term Rating of [ICRA]AA- (pronounced ICRA double A minus) and a short-term Rating of [ICRA]A1+ (pronounced ICRA A one plus) (“Rating”). Outlook on the long-term Rating has been revised to Positive. Instruments with AA rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. The Rating A1 indicates very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk. The modifiers + (plus) or – (minus) indicate the relative position within the rating concerned.

In any of your publicity material or other document wherever you are using the above Rating, it should be stated as [ICRA]AA-(Positive)/[ICRA]A1+.

The aforesaid Rating is valid till/will be due for surveillance any time before April 21, 2022.

The Ratings are specific to the terms and conditions of the Instrument as indicated to us by you, and any change in the terms or size of the same would require a review of the Ratings by us. In case there is any change in the terms and conditions or the size of the rated Instrument, the same must be brought to our notice before the Instrument is used by you. In the event such changes occur after the Ratings have been assigned by us and their use has been confirmed by you, the Ratings would be subject to our review, following which there could be a change in the Ratings previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the Instrument from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.



ICRA

ICRA Limited

ICRA reserves the right to review and/or, revise the above Ratings at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Ratings assigned.

The Rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated Instrument availed/issued by your company.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With kind regards,  
Yours sincerely,  
For ICRA Limited

Digitally signed by SUPRIO

BANERJEE

Date: 2021.04.29 12:09:39 +05'30'

Mr. Suprio Banerjee  
Vice President & Sector Head – Corporate Ratings  
[supriob@icraindia.com](mailto:supriob@icraindia.com)



ICRA

ICRA Limited

**Annexure**

**Details of Bank Limits Rated by ICRA (Rated on Long-Term as well as Short-Term Scale)**

Name of Bank	Facility	Amount (Rs. crore)	Rating	Rating Assigned on
ICICI Bank	Fund Based/ Non-Fund Based	245.00	[ICRA]AA- (Positive)/ [ICRA]A1+	April 22, 2021
Kotak Mahindra Bank		150.00		
Barclays Bank PLC		90.00		
Bank of America		79.00		
HSBC		5.00		
Bank of Baroda		11.00		
Unallocated Limits		-		
<b>Total</b>		<b>590.00</b>		

April 29, 2021

## Mahindra CIE Automotive Limited: Ratings reaffirmed; outlook revised to Positive

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term – Fund-based/ Non-Fund based	590.00	580.00	[ICRA]AA-/ [ICRA] A1+ reaffirmed; Outlook revised to Positive from Stable
Long-term/Short-term – Unallocated Limits	-	10.00	[ICRA]AA-/ [ICRA] A1+ reaffirmed; Outlook revised to Positive from Stable
Commercial Paper	200.00	200.00	[ICRA]A1+ reaffirmed
<b>Total</b>	<b>790.00</b>	<b>790.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The revision in outlook reflects Mahindra CIE Automotive Limited's (MCIE) improvement in financial performance across segments post recovery from the impact of the Covid-19 pandemic on its operations. The sharp turnaround in operating performance from Q3 CY2020 onwards is likely to sustain in CY2021, which will strengthen MCIE's credit profile. The merger of Bill Forge Private Limited with standalone operations resulted in improved synergies supporting its profitability during the pandemic affected CY2020. The acquisition of Aurangabad Electricals Limited (AEL) also helped the company enter the aluminium die-casting business and the less cyclical two-wheeler (2W) automotive segment in the domestic market leading to product and client diversification.

The ratings reaffirmation continues to reflect MCIE's large scale of operations, comfortable leverage and coverage indicators with gearing at 0.4 times and interest coverage ratio at 9.2 times as on December 31, 2020. The ratings consider its well-diversified presence across geographies, automotive segments, products, end-user industries including passenger vehicles (PV), commercial vehicles (CV), 2W and off-highway segments. MCIE is expected to continue to benefit from CIE Automotive SA's (CIE) strong technological expertise along with its established relationships with the global OEMs.

The ratings, however, remain constrained by MCIE's subdued return indicators (RoCE) compared to other peers in similar rating category primarily due to sub-par performance of the German forging business. The ratings note the inherent cyclical nature in the global automotive industry and the impending electrification of automotive industry, which may impact the company's revenue and profitability over the medium to long term.

The company's credit profile is expected to further strengthen over the medium term with recovery in demand across the automotive segment with expectations of a good monsoon in the Indian markets. ICRA expects MCIE to maintain its credit profile through its organic and/or inorganic investment plans. However, ICRA would evaluate the impact of any such investments on the credit profile on a case-by-case basis. Any large debt-funded acquisition or greenfield expansion will remain a key rating sensitivity for the company. ICRA expects MCIE's credit profile to benefit from various cost rationalisation and productivity improvement measures in India as well as overseas business and its focus on improving its product, segmental as well as customer mix, along with better asset utilisation. With expected improvement in cash accruals and modest debt repayment obligations, MCIE's liquidity position is likely to remain comfortable.

## Key rating drivers and their description

### Credit strengths

**Operational and managerial support from CIE Automotive SA; synergies derived from CIE's global operations** – CIE enjoys a global automotive footprint across multiple product segments (forgings/castings/stamping). Moreover, MCIE enjoys strategic importance for CIE's global operations as the auto component division for South Asian and South East Asian markets. MCIE is expected to benefit from CIE's strong technological expertise along with established relationships with the global OEMs.

**Well-diversified operations in terms of products, geographical reach, clientele and industry segments** – MCIE is present across six business segments—forging, stamping, casting, gears, composite and magnetic products. Its six business divisions are spread across PV, CV, tractors, 2W and off-road segments. MCIE is well diversified in terms of its geographical revenue base, which mainly includes India (49%) and Europe (51%) and also in terms clients with the top five clients contributing to 32% of its operating income (OI) in CY2020.

**Large scale of operations; among top auto component suppliers in India** – In terms of revenue, MCIE is among the largest auto components suppliers in India. In Europe, it is one of the leading forgings suppliers for PV, CV and off-highway segments.

**Comfortable capital structure and coverage metrics** – Despite multiple acquisitions in the past, MCIE's leverage and coverage indicators remain comfortable with a gearing of 0.4 times, Net Debt/OPBIDTA of 1.4 times and an interest cover of 9.2 times as on December 31, 2020. With expected cash accruals of over Rs. 550 crore and capex of Rs. 300-400 crore annually, the company's credit profile is likely to strengthen over the medium term.

### Credit challenges

**Sub-optimal capacity utilisation in German forging business drags overall return and profitability indicators** – The operational performance of the European CV industry witnessed a sharp decline in CY2020. This also led to further deterioration of MCIE's German operations as the same reflects below par performance, dragging the overall return indicators (RoCE of ~3% on a consolidated basis). The focus is to improve the cost structure, by rationalising the less profitable products and consolidating the business. Its profitability is expected to improve as the company continues to implement cost rationalisation measures going forward. The profitability is also likely to be supported by ramp-up in operations across the Indian and European subsidiaries (especially in Lithuania and Italy).

**Exposure to cyclical in automotive industry** – The auto supplier industry remains vulnerable to the cyclical inherent in the automotive industry and the pricing pressures faced by the auto suppliers from the large OEMs.

**Impending electrification of automotive industry may impact revenue and profitability** – The move towards electrification of automobiles might impact the company's revenues and profitability over the medium to long term, especially the products supplied by MCIE for the internal combustion engines. CIE Galfor, one of the most profitable business operations within Mahindra CIE Group, primarily caters to the crankshaft requirement in the PV segment. It is also exposed to the inherent risk of electrification in this business.

### Liquidity position: Strong

Company's liquidity profile is **strong**, supported by adequate undrawn bank facilities as well as cash and liquid investments of over Rs. 400 crore on a consolidated basis, as on December 31, 2020. As per the management, at a consolidated level, MCIE has more than Rs. 700-crore unutilised bank lines, which adds to the liquidity and financial flexibility. It is expected to continue to generate healthy cash flows from the business, which will further strengthen its liquidity profile over the medium term, in absence of any major capex/investment plan.

## Rating sensitivities

**Positive factors** – The ratings could be upgraded in case of substantial improvement in asset utilisation and return indicators, along with sustainable improvement in its scale of operations and capital structure (Net debt /OPBIDTA below 1.5 times on sustained basis), supported by a more diversified customer portfolio.

**Negative factors** – Negative pressure on MCIE’s ratings could arise in case of deterioration operating profitability or large debt-funded investments such that net debt/OPBIDTA exceeds 2.0 times on a sustained basis. Also, consistent negative asset liability mismatch could put downward pressure on the ratings.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Auto Component Manufacturers</a>
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, 2020, the company had five subsidiaries and 11 step-down subsidiaries who 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 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 BFL 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 (audited)

MCIE Consolidated	CY2019	CY2020
Operating Income (Rs. crore)	7,907.8	6,050.1
PAT (Rs. crore)	353.8	106.4
OPBDIT/OI (%)	12.2%	8.3%
PAT/OI (%)	4.5%	1.8%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	0.9



Total Debt/OPBDIT (times)	1.5	3.8
Net Debt/OPBITD (times)	1.3	1.4
Interest Coverage (times)	18.5	9.2

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

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating on	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019		
					Apr 29, 2021	-	Jan 21, 2020	Mar 19, 2019	Jan 03, 2019	Aug 09, 2018
1	Fund-based/Non-Fund Based Facilities	Long-term/Short-term	580.0	-	[ICRA]AA-(Positive)/[ICRA] A1+	-	[ICRA]AA-(Stable)/[ICRA] A1+	[ICRA]AA-(Stable)/[ICRA] A1+	[ICRA]AA-(Stable)/[ICRA] A1+	[ICRA]AA-(Stable)/[ICRA]A1+
2	Unallocated Amount	Long-term/Short-term	10.00	-	[ICRA]AA-(Positive)/[ICRA] A1+	-	-	-	-	-
3	Commercial Paper	Short-term	200.0	-	[ICRA]A1+	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Source: MCIE

### Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

**Annexure-1: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	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: MCIE

**Annexure-2: List of entities considered for consolidated analysis**

Company Name	MCIE Ownership	Consolidation Approach
Stokes Group Limited	100%	Full Consolidation
Stokes Forgings Dudley Limited (Dissolved on July 30, 2020)	100%	Full Consolidation
Stokes Forgings Limited (Dissolved on August 1, 2020)	100%	Full Consolidation
Mahindra Forgings Europe AG	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.	100%	Full Consolidation
CIE Legazpi S.A.	100%	Full Consolidation
UAB CIE LT Forge	100%	Full Consolidation
Bill Forge Precision Private Limited	100%	Full Consolidation
Bill Forge Mexico S de RL de CV	100%	Full Consolidation
Aurangabad Electricals Limited	100%	Full Consolidation
AE Deutschland GMBH	100%	Full Consolidation

Source: MCIE annual report CY2020

## ANALYST CONTACTS

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## Helpline for business queries

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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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

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### Branches



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