

Caparo Maruti Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.89 (enhanced from 16.67)	CARE BB; Stable	Downgraded from CARE BB+; Stable
Short Term Bank Facilities	5.00 (reduced from 7.00)	CARE A4	Downgraded from CARE A4+
Long Term / Short Term Bank Facilities	80.00 (enhanced from 75.00)	CARE BB; Stable/ CARE A4	Downgraded from CARE BB+; Stable/ CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The downgrade in ratings assigned to the bank facilities of Caparo Maruti Limited (CML) factors in the continued weak operational performance of the company marked by its declining scale of operations along with sequential cash losses suffered in the last few fiscals and the inability of the company to turnaround its operations despite new business being awarded by MSIL. Further, the ratings are constrained by CML's financial risk profile which has significantly weakened with erosion of net-worth, elevated debt levels and weak coverage indicators resulting in dependence on group support. Furthermore, the ratings remain constrained by exposure to fluctuation in raw material prices with limited bargaining power and cyclical nature of auto component industry. However, the ratings derive strength from CML's strong business association with Maruti Suzuki India Ltd (MSIL), which maintains its dominance in the passenger car segment in India along with its promoter's extensive experience in the auto component business with established track record of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in Profit before interest, lease rentals, depreciation, taxes (PBILDT) margin above 4% along with positive cash accruals and steady total operating income on a sustained basis.
- Improvement in operational cash flows leading to improved liquidity and current ratio above 1x.

Negative factors

- Decline in the total operating income below Rs 400 Cr with continued losses at operational and net level.
- Continued deterioration in its financial risk profile with stretched liquidity position.

Analytical approach: Standalone factoring in financial support from its group companies in form of inter corporate deposits.

Outlook: Stable

The "Stable" outlook factors in the new orders received from Original equipment manufacturers (OEMs) which might improve the profitability margins of the company in medium term.

Detailed description of key rating drivers:

Key weaknesses

Weak Operational performance

The Total Operating Income (TOI) of CML has been declining for past few years on account of transition from BS4 to BS6 engine which led to discontinuation of certain products along with reduction in realisation price for certain old models. Further, the TOI declined significantly by 26% to Rs 507.56 Cr in FY24 (refers to April 01 to March 31) (PY: Rs 689.63 Cr) due to a delay in executing the production schedule by Maruti Suzuki India Limited (MSIL) resulting from inventory build-up during FY24. Further,

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

the company has reported net loss in last 5 fiscals. The profitability continues to remain low on account of receipt of lower payment under PCD (Price Cost Deduction y-o-y for the components used in existing models of MSIL) model along with high power cost. The company also reported cash loss amounting to Rs 22.03 Cr in FY24 (PY: cash loss of Rs 18.84 Cr) as the company purchased raw material as per the original production schedule of MSIL. However, with new orders from MSIL and Honda Motorcycles in FY25, the turnaround in profitability on the back of proportion of new business and rationalization of fixed overheads shall remain key monitorable.

Weak financial risk profile

The company's financial risk profile is weak as marked by erosion of tangible net worth of the company due to accumulated losses. Further, company's debt levels have remained elevated and increased in recent past. The debt profile comprises of working capital borrowings, term loans, and Inter-corporate deposits (ICDs) from group companies. The company has received an extension from the group companies for the repayment of these ICDs. Additionally, the company relies on these ICDs along with price claims from MSIL to meet its repayment obligations. The debt coverage indicators also stood weak as marked by negative interest coverage in last 2 fiscals.

Volatility in raw material prices and foreign exchange fluctuation risk

The company's profitability remains exposed to the volatility in raw material prices fluctuations. The major raw material for company is steel products like steel bars, steel sheets and steel tubes which forms approximately 80% of total cost of sales. The iron and steel prices are volatile in nature, thus exposing the company to price risk. In the domestic market, the price reset is undertaken with the OEMs when there is an increase in the input prices. CML lodges the claim with OEMs and after negotiations, the increase in input prices is compensated by OEMs; however, there is a time lag of a quarter. But the compensation is awarded with retrospective effect.

Cyclical associated with the auto industry

The automobile industry is cyclical in nature and automotive component suppliers' sales are directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers.

Key strengths**Vast experience of the promoters in auto component business**

CML was the first company of the Caparo Group in India and commenced its operations as an automotive component's supplier for MSIL. Over the span of more than two decades, the group through its various entities has expanded to pan India presence working mainly for OEMs of passenger cars, commercial vehicles and off-road vehicles and supplies sheet metal stampings, steel forging, aluminium die casting, tubing, fasteners, and tailor welded blanks. MSIL (which holds 25% in the joint venture) is the largest passenger vehicle manufacturer in India and has a track record of around three decades.

Strong business association with MSIL

CML was incorporated as an exclusive supplier of sheet metal stampings and weldments of specific design to MSIL. CML gets operational support from MSIL for developing the production mechanisms, sharing of risk in terms of raw material fluctuation etc. CML has plants devoted to the production for MSIL which is also reflected by the fact that around 63% in FY24 (PY: 63%) of the total operating income of the company were made to MSIL. Thus, major dependence on MSIL exposes the company towards customer concentration risk. Any change in procurement policy of MSIL adversely impacts the business of the company as witnessed in FY24. This also exposes the company's revenue growth and profitability to its customer's future growth plans. Although there is customer concentration risk, it is however, offset to some extent as MSIL has considerable stake in CML and further has strong presence in the Indian Automobile market.

Liquidity: Stretched

Owing to the past trend of weak operational performance with only slight improvement in the current year, the liquidity profile of CML remains stretched with a lower generation of cash accruals envisaged vis-à-vis debt repayments for FY26. The company relies on group support to meet its repayment obligations. CML has maintained a Debt Service Reserve Account (DSRA) in the form of fixed deposits amounting to Rs 6 crore on account of non-achievability of projected revenue and profitability. The current ratio of the company has remained low and stood at 0.45x as on March 31, 2024 (PY: 0.36x). The company only has maintenance capex planned for near term.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

CML, incorporated in 1994, is engaged in the manufacturing of auto components. CML is a joint venture between Caparo India Ltd and MSIL, which hold 75% and 25% shares respectively. It was incorporated as an exclusive supplier of sheet metal stampings and weldments of specific design to MSIL. CML caters to various small and mid-sized models of MSIL. CML has three manufacturing plants located across India including Gurgaon (Haryana), Bawal (Haryana). The facilities are equipped with imported and indigenous press lines, robotic welding lines and painting facilities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	689.63	507.56	431.50
PBILDT	-4.82	-7.86	11.44
PAT	-39.06	-41.26	-10.99
Overall gearing (times)	4.51	-18.56	-
Interest coverage (times)	-0.30	-0.49	1.10

A: Audited UA: Unaudited; Note: these are latest available financial results; 9MFY25: refers to April 01 to December 31.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	80.00	CARE BB; Stable / CARE A4
Term Loan-Long Term		-	-	2029	5.87	CARE BB; Stable
Non-fund-based - ST-BG/LC		-	-	-	5.00	CARE A4
Term Loan-Long Term		-	-	2029	15.02	CARE BB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term Loan-Long Term	LT	15.02	CARE BB; Stable	-	1)CARE BB+; Stable (13-Mar-24)	1)CARE BB+; Stable (24-Mar-23) 2)CARE BB+; Stable (01-Apr-22)	-
2	Term Loan-Long Term	LT	5.87	CARE BB; Stable	-	1)CARE BB+; Stable (13-Mar-24)	1)CARE BB+; Stable (24-Mar-23) 2)CARE BB+; Stable (01-Apr-22)	-
3	Non-fund-based - ST-BG/LC	ST	5.00	CARE A4	-	1)CARE A4+ (13-Mar-24)	1)CARE A4+ (24-Mar-23) 2)CARE A4+ (01-Apr-22)	-
4	Fund-based - LT/ST-Working Capital Limits	LT/ST	80.00	CARE BB; Stable / CARE A4	-	1)CARE BB+; Stable / CARE A4+ (13-Mar-24)	1)CARE A4+ (24-Mar-23) 2)CARE A4+ (01-Apr-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	LT/ ST-Working Capital Limits	Simple
2	Term Loan-Long Term	Simple
3	ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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