

Bharat Gears Limited

July 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	46.77 (Reduced from 77.29)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	45.00	CARE BBB-; Stable / CARE A3	LT rating reaffirmed and ST rating assigned
Short-term bank facilities	133.23 (Enhanced from 102.71)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings reflects the stable operational and financial performances of Bharat Gears Limited (BGL) in FY25 (Prov.) and CARE Ratings Limited's (CareEdge Ratings') expectations of steady performance in the coming quarters on the back of expectations of recovery in domestic demand for agricultural and off-highway vehicles and new customer additions. BGL's total operating income (TOI) declined by ~2% YoY to ₹648 crore in FY25 on the back of moderation in average realisations, while sales volumes remained stable despite demand headwinds from export markets considering evolving end-user demand and global geopolitical scenario. Its operating profitability was also lower-than-envisaged at 3.76% in FY25 due to weak absorption of high legacy employee expenses. While reaffirming ratings, CareEdge Ratings notes that BGL's profit before interest, lease rentals, depreciation and taxation (PBILDT) interest cover at 1.42x remained lower than the threshold of 1.5x in FY25 due to subdued profitability and high finance costs. The company prepaid a sizeable portion of its term loans in FY25, financed by sale of non-core land for ~₹17.10 crore in FY25, which is expected to materially reduce the finance cost in the coming quarters, which coupled with expectations of improvement in profitability, is expected to support improvement in debt coverage metrics and remains a key rating monitorable.

Ratings continue to favourably factor in the extensive experience of BGL's promoters, its long operational track record, and established market position in the automotive gears and components industry. The company benefits from a strong and reputed clientele with a demonstrated history of repeat orders. However, ratings remain constrained by the exposure of company's profitability to raw material price volatility, high fixed overheads, and an unstable tariff scenario. The moderately working capital-intensive operations and the inherent cyclicity of the auto component industry also weigh on the credit profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in revenue driven by healthy order book and improvement in PBILDT margin above 5%.
- PBILDT interest cover above 2.5x and total debt/PBILDT below 3.0x on a sustained basis.

Negative factors

- Decline in scale of operations below ₹600 crore and PBILDT margin below 3.5% on a sustained basis.
- Deterioration in overall gearing above 1.5x and interest coverage ratio below 1.50x.
- Any large debt-funded capex and/or increase in the operating cycle beyond 100 days leading to pressure on debt coverage metrics and liquidity.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CareEdge Ratings' expectations that BGL will continue to maintain adequate liquidity and debt coverage metrics while benefitting from the experienced promoters, healthy market position in the auto ancillary industry, and established relationships with reputed clientele base.

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

Detailed description of key rating drivers:

Key strengths

Established market position and strong and reputed clientele base despite customer concentration risk

BGL is a prominent player in the Indian automotive gears market backed by long-standing relationships with leading original equipment manufacturers (OEMs). The company's high-quality products have earned it strong brand recognition, particularly among reputed clients, such as the John Deere group, which accounted for 35-45% of its revenue over the last five years. BGL caters to a diverse customer base across tractors, utility vehicles, commercial vehicles, and construction equipment segments. Its key clients include renowned names such as John Deere, Carraro India Limited, Eaton Corporation, Escorts & Kubota Limited, and Mahindra & Mahindra Limited. The company has maintained enduring partnerships with these OEMs, resulting in consistent repeat business over the years. However, the company's revenue exhibit customer concentration risk with the largest customer – John Deere Group – accounting for over 30% of revenue and top 10 customers accounting for over 50% of revenue over the last five years. The risk is mitigated to a large extent by long-term relationships with key customers, long product approval periods, and a demonstrated history of repeat orders.

Comprehensive product portfolio despite higher dependency on flagship product

BGL's product portfolio comprises automotive gears, components, tooling development, and industrial furnaces. While the portfolio is largely concentrated in gears, comfort is drawn from the fact that these products primarily cater to the agricultural sector—a broad and diverse segment driven by rural demand. The company serves the farm equipment segment and maintains a strong presence among reputable OEMs, ensuring steady order flow and timely collections due to their robust credit profiles. BGL operates manufacturing facilities at strategic locations—Faridabad (New Delhi), Mumbra, and Satara (Maharashtra)—which offer proximity to key vendors, suppliers, and customers, enhancing operational efficiency.

Experienced promoters with long track record of operations

BGL is managed by Surinder Paul Kanwar (Chairman and Managing Director) and Sameer Kanwar, Joint Managing Director, who hold rich and vast experience of above four decades in the industry and are involved in the overall business operations of the company and five other board of directors and a strong professional management team in place. Besides, the key management team at BGL comprises five well-experienced and qualified personnel holding experience of over three decades and who are instrumental in development and streamlining of BGL's business operations. Moreover, the company has been in the industry for over five decades which reflects a long track record in the automobile gears industry and benefits the business risk profile of the company.

Key weaknesses

Moderate financial risk profile with weak debt coverage metrics

The company's capital structure remains adequate with overall gearing improving to 1.12x as on March 31, 2025 (PY: 1.43x), aided by prepayment of term loans. Dependence of sizeable credit from suppliers translates into total outside liabilities to tangible net worth (TOL/TNW) of 2.25x as on March 31, 2025. However, BGL's debt coverage indicators remain constrained by subdued profitability and relatively high interest costs. Its PBILDT interest coverage ratio stood at 1.42x in FY25 (PY: 1.31x) and total debt to gross cash accruals (GCA) at 4.56x (PY: 16.27x). Going forward, with expectations of reduced interest cost owing to prepayment of loans, coverage ratios are likely to improve and remain a key monitorable.

Profitability exposed to volatile raw material prices, high fixed overheads and evolving tariffs

BGL's operating profitability has remained highly volatile over the last five years, ranging from 3.45% to 8.98%, which lends uncertainty to the operating cashflows. In FY25, it reported a subdued PBILDT margin of 3.76% (FY24: 3.45%) owing to weak absorption of fixed costs considering reduced scale of operations. While BGL's gross profit margin remains fairly stable, the high employee expenses (at 18-19% of revenue) owing to presence of trade unions and legacy hiring at its manufacturing facilities, translate into a high operating leverage, exaggerating the impact of downturn on its PBILDT margin. While the management has taken steps to rope-in the increase in employee expenses over the last 2-3 years, it remains higher compared to peers. BGL's profitability also remains exposed to volatility in raw material costs and evolving global trade tariffs. The company's ability to sustainably maintain its PBILDT margin above thresholds remain a key rating sensitivity.

Inherent cyclical nature of the auto component and end-user industry

BGL derives a major portion of its revenue from OEMs in the automobile and agricultural tractor sectors, specifically from heavy, medium, and light commercial vehicles, utility vehicles, tractors, and off-highway vehicles. These end-user segments are inherently cyclical and closely linked to broader economic trends, making BGL's revenue susceptible to demand fluctuations. Growing global preference for environmentally friendly vehicles and regulatory pressure to reduce carbon emissions are gradually

transforming the automotive landscape. Such industry transitions and cyclicity in key segments may pose risks to BGL's long-term business stability.

Liquidity: Adequate

BGL's liquidity position remains adequate with projected annual GCA of ₹25–35 crore p.a. over the next 2-3 years against scheduled debt repayment obligations of ₹12 crore in FY26 and ~₹20 crore each in FY27 and FY28 and maintenance capex of ₹8–10 crore p.a. As on March 31, 2025, the company had free cash and liquid investments of ₹1.36 crore with average fund-based limit utilisation at 56% in the last 12-months ending March 31, 2025, providing adequate liquidity buffer. BGL's cash flow from operations remained healthy at ₹46.89 crore in FY25 (PY: ₹46.74 crore) and the company has consistently maintained a current ratio above 1x over the past five fiscals.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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 & equipment

Incorporated in 1971, BGL is a commercial gear manufacturing company and among the leading suppliers of automotive gears with a wide spectrum of high-quality and highly engineered automotive gears for heavy, medium and light trucks, utility vehicles, tractors and off-highway vehicles. Its products are sold in India and exported to North American, European, and Asian countries. The company has three state-of-the-art manufacturing facilities at Mumbra near Mumbai, Faridabad near Delhi, and Satara in Maharashtra, with installed capacity of 8.2 million tonnes per annum. The company is listed on NSE and BSE.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	662.22	646.50
PBILDT	22.85	24.28
PAT	-9.74	3.19
Overall gearing (times)	1.43	1.12
Interest coverage (times)	1.31	1.42

A: Audited; Note: these are latest available financial results

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 and Rating Outlook
Fund-based - LT-Proposed fund-based limits	-	-	-	-	5.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	May 10, 2028	41.77	CARE BBB-; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	45.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-BG/LC	-	-	-	-	75.00	CARE A3
Non-fund-based - ST-Proposed non-fund-based limits	-	-	-	-	58.23	CARE A3

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	41.77	CARE BBB-; Stable	-	1)CARE BBB-; Stable (19-Sep-24)	1)CARE BBB-; Stable (08-Feb-24) 2)CARE BBB; Stable (03-Oct-23)	1)CARE BBB; Stable (26-Sep-22)
2	Non-fund-based - ST-Proposed non fund based limits	ST	58.23	CARE A3	-	1)CARE A3 (19-Sep-24)	1)CARE A3 (08-Feb-24) 2)CARE A3+ (03-Oct-23)	1)CARE A3+ (26-Sep-22)
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	45.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable (19-Sep-24)	1)CARE BBB-; Stable (08-Feb-24) 2)CARE BBB; Stable (03-Oct-23)	1)CARE BBB; Stable (26-Sep-22)
4	Fund-based - LT-Proposed fund based limits	LT	5.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (19-Sep-24)	1)CARE BBB-; Stable (08-Feb-24) 2)CARE BBB; Stable (03-Oct-23)	1)CARE BBB; Stable (26-Sep-22)
5	Non-fund-based - ST-BG/LC	ST	75.00	CARE A3	-	1)CARE A3 (19-Sep-24)	1)CARE A3 (08-Feb-24) 2)CARE A3+ (03-Oct-23)	1)CARE A3+ (26-Sep-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	Fund-based - LT-Proposed fund-based limits	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Non-fund-based - ST-Proposed non fund-based limits	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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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