

RACL Geartech Limited

October 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	101.88	CARE A-; Positive	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	162.50	CARE A-; Positive / CARE A2+	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	9.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of RACL Geartech Limited (RGL) continue to factor in experienced promoters along with long track record of operations, reputed clientele, stable operational performance, with healthy profitability margins considering better operating margins in the premium segment, and a diversified geographic mix. Ratings also favourably factors in the equity infusion of ~₹80 crore in Q1FY26 (FY refers to April 01 to March 31), raised through preferential issue, which has been utilized towards prepayment of long-term debt and resultant improvement in overall gearing. However, ratings continue to remain constrained by moderate debt coverage indicators, raw material price volatility, foreign exchange fluctuation risk, working capital-intensive operations, and the cyclical nature of the automotive industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in the scale of operations beyond Rs.475 crores while maintaining the profitability margins and continued relationship with its key customers.
- Improvement in the capital structure leading to overall gearing of below 0.75x on a sustained basis.
- Improvement in working capital cycle thereby leading to strengthening of liquidity position on a sustained basis.

Negative factors

- Decline in scale of operations below Rs.225.00 crore with moderation in PBILDT margin below 18% on a sustained basis.
- Higher than envisaged capex thereby with increase in debt leading to total debt to PBILDT beyond the current levels of FY25.

Analytical approach: Standalone Approach

Outlook: Positive

The revision in outlook from stable to positive reflects scalability of operations with sustained improvement in profitability on the back of nominations and collaborations with new and renowned OEMs in premium two-wheeler and passenger vehicle segment. The positive outlook also factors in the expected improvement in the company's working capital cycle and strengthening of its liquidity position. The outlook may be revised to stable if operational and financial performance remains lower than expectations.

Detailed description of key rating drivers:

Key strengths

Experienced promoters

RACL Geartech Limited has a presence of over 35 years in the automobile component industry. Gursharan Singh, Chairman and Managing Director, joined the company as Plant Head and has been associated since inception. He is a mechanical engineer and holds a Postgraduate Diploma in Export Management. He is supported by a professional team that has been with the company for over 20 years.

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

Established player in transmission gears and shafts for automotive and industrial applications

RACL Geartech Limited has been engaged in the manufacturing of transmission gears and shafts for automotive and industrial applications since the 1980s. The company has renowned original equipment manufacturers (OEMs) in the automotive and industrial segments as long-standing customers. It has an established relationship with leading global OEMs catering to the premium segment. RACL Geartech Limited's business risk profile has improved over the years through customer additions, product portfolio expansion, and entry into new segments of the automobile industry. The addition to the customer base was supported by the supply of quality products that comply with international standards laid down by international quality assessment teams.

Reputed customer base

RACL Geartech Limited (RACL) has moderate customer concentration risk, with the top five customers contributing ~58% of total revenue in FY25 (FY refers to April 01 to March 31) compared to ~57% in the previous year. However, comfort is derived from RACL being a preferred vendor for several premium segment export customers with whom it has long-term relationships. The management, as part of its strategy, ensures that sales to any single customer do not exceed 20% of total revenue. The largest customer contributed ~16% of total revenue in FY25, thereby mitigating dependence on any single customer.

Steady operational performance

In FY25, the company's total operating income remained largely flat at ₹425.94 crore (PY: ₹421.54 crore), reflecting ~1% growth. This was primarily due to a revenue loss of ₹35–40 crore stemming from the operational halt of a key customer, KTM, Austria amid its restructuring, along with subdued European demand caused by post-Red Sea crisis destocking and rising competition from Chinese EVs. The company's PBILDT margin declined by 215 basis points to 21.68% in FY25 (previous year: 23.82%), primarily due to fixed cost allocations made in advance based on confirmed schedules from KTM. Further, the PAT margin also moderated by 343 bps and stood at 6.01% in FY25 (PY: 9.44%) on account of higher finance cost due to increase in utilization of working capital borrowings as on balance sheet date.

Q1FY26 performance: In Q1FY26 (FY refers to April 01 to March 31), RACL Geartech Limited's total operating income declined by ~5% to ₹99.91 crore compared to ₹105.28 crore in Q1FY25. Operating margins also moderated by 195 basis points to 18.78% compared to 20.73% in Q1FY25.

Going forward, RACL Geartech Limited is currently executing four strategic projects with a combined revenue potential of approximately ₹350 crore, expected to contribute to the company's top-line over the next four years.

Improvement in capital structure

The total debt of the company comprised term loan of ₹136.07 crore, working capital loan of ₹157.96 crore and lease liability of ₹11.96 crore as on March 31, 2025. The capital structure remained moderate with overall gearing ratio of 1.34x as on March 31, 2025 (PY: 1.41x as on March 31, 2024) owing to accretion of profits to net worth base. The company operates a capex-intensive business model that necessitates annual investments for new projects, primarily involving prototype development, validation, and regulatory approvals. These processes typically span 2–3 years before commercial production begins. The company had done capex of ~₹46 crore in FY25 which was funded by term loan addition of ₹35 crore & remaining through internal accruals.

However, in Q1FY26, there was equity infusion of ~₹80 crore raised via preferential issue by eminent investors such as Malabar India Fund, White Oak Capital Group (India Acorn Fund and Ashoka India Equity IT) and Dr. Aniruddha Malpani. The proceeds were primarily utilised towards prepayment of debt, thereby improving the capital structure. As on June 30, 2025, the overall gearing ratio stood at 0.66x owing to increase in net worth base and reduction in total debt from ₹294.03 crore as on March 31, 2025 to ₹209.49 crore as on June 30, 2025.

Going forward, with the planned capex in the projected years, the company expects the overall gearing ratio to remain in the range of 0.56x – 0.75x.

Key weaknesses

Moderate debt coverage indicators

The benefits of regular capex have not come as envisaged as visible in the moderation in profitability thereby impacting the debt coverage indicators as on balance sheet date. Debt coverage indicators remained moderate owing to a decline in profitability and an increase in total debt as on balance sheet date. Profit before interest, lease rentals, depreciation, and taxation (PBILDT) to interest and total debt to gross cash accruals (GCA) stood at 3.14x and 5.20x respectively as on March 31, 2025, compared to 4.25x and 4.25x respectively as on March 31, 2024.

Foreign Exchange fluctuation and raw material price risk

The company derives its revenue majorly through exports which was ~70% of total revenue in FY25 (PY: 74%). Though the profitability margins are exposed to volatility in foreign exchange however the same are mitigated with the availment of export credit in foreign exchange. Further, the company discounts the invoices with banks at an early stage to minimize the forex

fluctuation risk. During FY25, the company reported net gain of Rs.8.57 crore due to foreign currency fluctuation (PY: gain of Rs.4.26 crore). Further, the company's main raw material includes steel and forgings and the increase/decrease in their prices also exposes the company to raw material price risk, however, the same is mitigated as it is passed through to the customers.

Working capital intensive nature of operations

Being in the auto ancillary industry, the operations of the company are working capital-intensive. The company maintains inventory of ~3.5 months, supported by a large product range comprising over 500 products under regular production. To meet the demand of key customers, the company stocks inventory at warehouses located near customers' factories to ensure uninterrupted product flow and minimise transit time. The company has warehouses in Austria for this purpose. Credit period of ~2 months is extended to domestic customers, contributing 30% of total operating income, while collections from overseas customers, contributing 70% of total operating income, generally take 3-4 months. The company receives a credit period of up to 1.5 months from suppliers, which it has been reducing to avail cash discounts. Overall, this results in a working capital cycle of ~5 months, leading to high reliance on fund-based facilities to meet working capital requirements. The average working capital utilisation remained ~80% in the trailing 12-month period ended July 31, 2025.

Liquidity: Adequate

The liquidity of the company is adequate as characterized by sufficient cushion expected in accruals of Rs.72.52 crore in FY26 as against the actual repayment obligations of Rs.31.54 crore. Moreover, the company raised equity during Q1FY26 of ~Rs.80 crore which was utilized towards prepayment of debt of Rs.52.61 crore and the remaining funds are expected to be utilized towards the reduction of working capital. Further, the company has plans of capex of ~Rs.50 crore in FY26 which is expected to be funded through debt and internal accruals 3:1, for which the company has sufficient gearing headroom. The average utilization of the fund-based working capital limits for the immediately preceding 12-months stood at ~80%.

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

RACL (formerly Raunaq Automotive Components Limited) was incorporated in 1983 and is engaged in the business of manufacturing of transmission gears and shafts for automotive and industrial applications. The company was initially promoted by the Raunaq Group. However, due to financial difficulties the company was referred to Board for Industrial and Financial Reconstruction (BIFR) in 2001. Post-restructuring and with a new management team under leadership of Mr. Gursharan Singh (CMD), RACL came out of the BIFR purview in November 2007. The company has two manufacturing units in Uttar Pradesh at Gajraula and Noida.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	421.54	425.94	99.91
PBILDT	100.43	92.32	18.76
PAT	39.81	25.59	8.29
Overall gearing (times)	1.41	1.34	0.66
Interest coverage (times)	4.25	3.14	2.50

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

Status of non-cooperation with previous CRA: NA

Any other information: NA

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-Term Loan		-	-	2027	101.88	CARE A-; Positive
Fund-based - LT/ ST-Working Capital Limits		-	-	-	162.50	CARE A-; Positive / CARE A2+
Non-fund-based - ST-BG/LC		-	-	-	9.00	CARE A2+

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	101.88	CARE A-; Positive	-	1)CARE A-; Stable (04-Oct-24)	1)CARE A-; Stable (03-Oct-23)	1)CARE A-; Stable (23-Sep-22)
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	162.50	CARE A-; Positive / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (04-Oct-24)	1)CARE A-; Stable (03-Oct-23)	1)CARE A-; Stable (23-Sep-22)
3	Non-fund-based - ST-BG/LC	ST	9.00	CARE A2+	-	1)CARE A2+ (04-Oct-24)	1)CARE A2+ (03-Oct-23)	1)CARE A2 (23-Sep-22)

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

Annexure-4: Complexity level of instruments rated

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Puneet Kansal Director CARE Ratings Limited Phone: 120-4452018 E-mail: puneet.kansal@careedge.in Sachin Mathur Associate Director CARE Ratings Limited Phone: 91-120-4452054 E-mail: sachin.mathur@careedge.in Akanksha Dutta Lead Analyst CARE Ratings Limited E-mail: Akanksha.dutta@careedge.in
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