

## Bharat Gears Limited

March 24, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	46.77	CARE BBB; Stable	Upgraded from CARE BBB-; Stable
Long Term / Short-term bank facilities	45.00	CARE BBB; Stable / CARE A3+	Upgraded from CARE BBB-; Stable / CARE A3
Short-term bank facilities	133.23	CARE A3+	Upgraded from CARE A3

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings upgrade factors in the sustained improvement in the operating and financial performance of Bharat Gears Limited (BGL) in 9MFY26 as indicated by better-than-expected profitability supported by healthy demand from key customers and improvement in debt coverage metrics, following planned debt reduction through sale of non-core land parcel in FY25 and CARE Ratings Limited's (CareEdge Ratings') expectations of sustained performance in the medium term driven by its established relationships with large automobile players and long track record in the value-added automobile gears industry. BGL's total operating income (TOI) grew by ~21% y-o-y to ₹574 crore in 9MFY26 aided by steady off-take from key customers and increasing demand from new customers translating into significant improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin by ~400 bps y-o-y to 6.77% in 9MFY26 supported by better absorption of fixed costs amidst high operating leverage. The company had prepaid a sizeable portion of its outstanding debt in FY25 financed through sale of non-core land for ~₹17 crore, which led to a marked reduction in overall finance costs translating to improvement in debt coverage metrics with PBILDT interest cover and total debt (TD) to PBILDT improving to 3.66x and 2.35x, respectively, in 9MFY26 against 1.42x and 5.18x, respectively, in FY25. Going forward, the company is expected to report healthy sales growth momentum in FY27, backed by orderbook visibility leading to adequate debt coverage metrics. Impact of evolving global geopolitical scenario on BGL's performance remains a key monitorable.

Ratings continue to factor in extensive experience of BGL's promoters, its long-standing operational track record, and established position in the automotive gears and components segment. BGL benefits from a diversified and reputed customer base, supported by long-term relationships and a consistent track record of repeat orders, which lends stability to revenues. However, credit profile remains constrained by profitability susceptible to raw material price volatility, high fixed cost structure, and uncertainties arising from an unstable tariff environment. Moderately working capital intensive operations and inherent cyclicity of the auto component industry continue to weigh on the company's overall credit risk profile.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant growth in revenue driven by healthy order book and improving business diversification with increase in PBILDT margin above 6.5% translating into healthy cash flow from operations.
- Improvement in TD/PBILDT below 2.0x 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 PBILDT interest cover below 2.0x and overall gearing above 1.50x
- Large debt-funded capex and/or significant increase in the operating cycle leading to pressure on 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 experienced promoters, healthy market position in the auto ancillary industry, and established relationships with reputed clientele base.

### Detailed description of key rating drivers:

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Key strengths

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

BGL is an established player in the Indian automotive gears market, supported by long-standing relationships with leading original equipment manufacturers (OEMs). The company's focus on quality and reliability resulted in strong brand recognition, particularly among reputed clients such as the John Deere group, which has contributed ~35–45% of BGL's revenues in the last five years. BGL services a diversified end-user base spanning tractors, utility vehicles, commercial vehicles, and construction equipment segments. Its key customers include prominent OEMs such as John Deere, Carraro India Limited, Eaton Corporation, Escorts Kubota Limited, and Mahindra & Mahindra Limited (CARE AAA; Stable / CARE A1+). The company has maintained enduring partnerships with these OEMs, translating to a stable flow of repeat orders over the years. However, the revenue profile remains exposed to customer concentration risk, with the largest customer, the John Deere group, accounting for over 30% of revenues, while top 10 customers together contribute over 50% of revenues in the last five years. This risk is mitigated to a considerable extent by long tenure of customer relationships, extended product approval cycles, and the company's demonstrated track record of consistent repeat business.

### **Comprehensive product portfolio despite higher dependency on flagship product**

BGL's product portfolio comprises automotive gears, components, tooling development, and industrial furnaces, with a predominant focus on gears. Comfort is derived from the fact that these products are largely aligned with agricultural equipment segment, which represents a broad and relatively resilient end-user market supported by underlying rural demand. The company primarily caters to the farm equipment segment and established a strong presence with reputed OEMs, which supports steady order inflows and timely realisation of receivables, aided by robust credit profiles of its customers. BGL operates manufacturing facilities at strategically sites in Faridabad (New Delhi), Mumbra, and Satara (Maharashtra). These locations provide proximity to key suppliers, vendors, and customers, resulting in logistical efficiencies, smoother supply chain management, and enhanced operational effectiveness.

### **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 over four decades in the industry and are involved in the company's overall business operations and five other board of directors and a strong professional management team in place. This apart, BGL's key management team comprises five well-experienced and qualified personnel holding experience of over three decades, who are instrumental in developing and streamlining BGL's business operations. The company has been in the industry for over five decades, which reflects a long track record in the automobile gears industry and benefits its business risk profile.

## Key weaknesses

### **Moderate financial risk profile**

BGL's capital structure remains adequate with overall gearing expected to improve to ~1x as on March 31, 2026 against 1.12x as on March 31, 2025, supported by prepayment of term loans and no new debt-funded capex planned. However, reliance on sizeable trade credit from suppliers resulted in relatively elevated total outside liabilities to tangible net worth (TOL/TNW) of 2.25x as on March 31, 2025. Debt coverage indicators remained constrained in FY25, with PBILDT interest coverage ratio at 1.42x (PY: 1.31x) and TD to gross cash accruals (TD/GCA) at 4.56x (PY: 16.27x). Despite this, a marked improvement was observed in 9MFY26, with PBILDT interest coverage ratio strengthening to 3.66x, driven by improved profitability and lower interest outgo. Going forward, benefit of reduced finance costs considering term loan prepayments, and expected improvement in operating performance, is likely to support further strengthening of coverage indicators.

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

BGL's operating profitability remained volatile in the last five years, with PBILDT margins ranging between 3.45% and 8.98%, which imparts uncertainty to the sustainability of operating cash flows. In FY25, the company reported a subdued PBILDT margin of 3.76% (FY24: 3.45%), primarily due to weak absorption of fixed costs amid a lower scale of operations. However, profitability witnessed a notable improvement in 9MFY26, with PBILDT margins strengthening to 6.77%, supported by better absorption of fixed costs. While gross profit margin remained relatively stable, elevated employee expenses at ~18–19% of operating income continue to weigh on overall profitability. The high employee cost structure is attributable to presence of trade unions and legacy manpower at manufacturing facilities, resulting in high operating leverage and accentuating the impact of demand downturns on operating margins. Although management initiatives aimed at moderating employee cost escalation in the last 2–3 years provide some comfort, cost levels remain higher against peers. BGL's profitability remains exposed to raw material price volatility and uncertainties arising from evolving global trade tariffs. The company's ability to sustainably maintain PBILDT margins above threshold levels, supported by scale-up in operations and cost rationalisation measures, will remain a key rating sensitivity.

### Inherent cyclicity of the auto component and end-user industry

BGL derives 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 longterm business stability.

### Liquidity: Adequate

BGL's liquidity remains adequate with expected GCA of ₹35–45 crore per annum in the next two years, against scheduled debt repayments of ~₹20 crore each in FY27 and FY28, and maintenance capital expenditure of ₹8–10 crore per annum. As on December 31, 2025, BGL had free cash and liquid investments of ₹1.44 crore. The company's average utilisation of sanctioned fund-based working capital facilities stood at ~63% for 12 month ended December 2025, providing adequate liquidity buffer.

**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 and equipment

Incorporated in 1971, BGL is a commercial gear manufacturing company and among the leading suppliers of automotive gears with a wide spectrum of 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)	9MFY26 (UA)
Total operating income	662.22	646.50	573.88
PBILDT*	22.85	24.28	38.87
Profit after tax (PAT)	-9.74	3.19	11.45
Overall gearing (x)	1.43	1.12	0.97
Interest coverage (x)	1.31	1.42	3.66

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

\*PBILDT: Profit before interest, lease rentals, depreciation and tax

**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 (07-Jul-25)	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 (07-Jul-25)	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 / CARE A3 (07-Jul-25)	1)CARE BBB-; Stable (19-Sep-24)	1)CARE BBB-; Stable (08-Feb-24)	1)CARE BBB; Stable (26-Sep-22)

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
							2)CARE BBB; Stable (03-Oct-23)	
4	Fund-based - LT-Proposed fund based limits	LT	5.00	CARE BBB; Stable	1)CARE BBB-; Stable (07-Jul-25)	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 (07-Jul-25)	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/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.

## Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3444 E-mail: <a href="mailto:ankur.sachdeva@careedge.in">ankur.sachdeva@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Akhil Goyal Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3590 E-mail: <a href="mailto:akhil.goyal@careedge.in">akhil.goyal@careedge.in</a></p> <p>Raunak Modi Assistant Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3537 E-mail: <a href="mailto:raunak.modi@careedge.in">raunak.modi@careedge.in</a></p> <p>Vedant Gupta Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:vedant.gupta@careedge.in">vedant.gupta@careedge.in</a></p>
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