Bharat Gears Limited

July 01, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	90.45 (Enhanced from 46.77)	CARE BBB; Stable	Reaffirmed
Long-term / Short-term bank facilities	45.00	CARE BBB; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	89.55 (Reduced from 133.23)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-7.

Rationale and key rating drivers

Reaffirmation of ratings considers steady operating and financial performances of Bharat Gears Limited (BGL) in FY26, as reflected in the rise in its 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 healthy order book from reputed customers and long track record in the value-added automobile gears industry. BGL's total operating income (TOI) grew by ~22% year-over-year (y-o-y) to ₹788 crore in FY26, 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 ~350 bps y-o-y to 7.18% in FY26, supported by better absorption of fixed costs amidst high operating leverage. Higher profitability and planned debt reduction in the last two years has aided improvement in debt coverage metrics with PBILDT interest cover and total debt (TD) to PBILDT improving to 4.12x and 2.24x, respectively, in FY26, against 1.42x and 5.18x, respectively, in FY25. While the company is expected to report healthy sales growth momentum in FY27, backed by order book visibility, the profitability could remain under transient pressure owing to steep rise in fuel costs. Despite this, with expectation of normalisation of global geopolitical scenario, the cost pressure is likely to ease, supporting adequate accruals.

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 cyclicality 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: Factors that could individually or collectively lead to positive rating action/upgrade:

- Significant growth in revenue driven by healthy order book and improving business diversification while sustaining 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: Factors that could individually or collectively lead to negative rating action/downgrade:

- 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

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

[1]Complete 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

Healthy order book from reputed clientele

BGL has long-standing relationships with leading original equipment manufacturers (OEMs) and auto ancillary companies, including John Deere group, Carraro India Limited, Eaton Corporation Limited, Escorts Kubota Limited, CNH Industrial (India) Private Limited, Mahindra & Mahindra Limited (rated CARE AAA; Stable / CARE A1+), and BRP Rotax GmBH, among others, with a track record of repeat business, indicating customer stickiness. BGL's gears find application across tractors, utility vehicles, commercial vehicles, and construction equipment segments. Owing to established relations, the company has a healthy outstanding order book of over ₹600 crore in FY27, providing adequate revenue visibility.

Adequate capital structure and debt coverage metrics

The company's capital structure remains adequate as indicated by improvement in overall gearing and total outside liabilities/ tangible net worth (TOL/TNW) of 0.98x and 2.10x, respectively, as on March 31, 2026, against 1.43x and 2.50x, respectively, as on March 31, 2024, driven by planned prepayment of debt worth ~₹9.5 crore in Q4FY25, funded by sale of non-core land and improved accruals in FY26, led by rising profitability. The company's debt coverage metrics also improved with PBILDT interest cover and TD/PBIDLT of 4.12x and 2.24x, respectively, in FY26 (PY: 1.42x and 5.18x, respectively). CareEdge Ratings expects the company to continue to maintain adequate capital structure and debt coverage metrics with overall gearing below unity and PBILDT interest cover above 4x in the next 1-2 years.

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. Apart from this, 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

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 3.45-8.98%, which imparts uncertainty to sustainability of operating cash flows. Its profitability witnessed a notable improvement in FY26, with PBILDT margins strengthening to 6.77%, supported by better absorption of fixed costs on growing scale of operations. 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.

Customer concentration risks

BGL's 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. However, 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.

Inherent cyclicality of the auto component and end-user industry

BGL derives major portion of its revenue from OEMs in 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 cyclicality in key segments may pose risks to BGL's long term business stability.

Liquidity: Adequate

BGL's liquidity remains adequate with expected gross cash accruals (GCA) of ₹40-50 crore per annum in the next two years, against scheduled debt repayments of ₹15 crore in FY27, and ₹18 crore in FY28, and maintenance capital expenditure of ₹10-20 crore per annum, funded entirely through internal accruals. As on March 31, 2026, BGL had free cash and liquid investments of ₹1.44 crore with average utilisation of sanctioned fund-based working capital facilities at ~65% for 12 month ended April 2026, providing adequate liquidity buffer. Its current and quick ratios stood at 1.19x and 0.72x, respectively, as on March 31, 2026.

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 National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	646.50	788.50
PBILDT*	24.28	56.62
Profit after tax (PAT)	3.19	16.50
Overall gearing (x)	1.12	0.98
Interest coverage (x)	1.42	4.12

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	-	-	-	-	62.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	-	May 10, 2028	28.45	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	-	-	-	-	14.55	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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	28.45	CARE BBB; Stable	-	1)CARE BBB; Stable (24-Mar-26) 2)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)
2	Non-fund-based - ST-Proposed non fund based limits	ST	14.55	CARE A3+	-	1)CARE A3+ (24-Mar-26) 2)CARE A3 (07-Jul-25)	1)CARE A3 (19-Sep-24)	1)CARE A3 (08-Feb-24) 2)CARE A3+ (03-Oct-23)
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	45.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (24-Mar-26) 2)CARE BBB-; Stable / CARE A3 (07-Jul-25)	1)CARE BBB-; Stable (19-Sep-24)	1)CARE BBB-; Stable (08-Feb-24) 2)CARE BBB; Stable (03-Oct-23)
4	Fund-based - LT-Proposed fund based limits	LT	62.00	CARE BBB; Stable	-	1)CARE BBB; Stable (24-Mar-26) 2)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)
5	Non-fund-based - ST-BG/LC	ST	75.00	CARE A3+	-	1)CARE A3+ (24-Mar-26) 2)CARE A3 (07-Jul-25)	1)CARE A3 (19-Sep-24)	1)CARE A3 (08-Feb-24) 2)CARE A3+ (03-Oct-23)

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

Annexure-6: List of entities consolidated: Not applicable

Annexure-7: List of facilities/instruments and FSRs

As required by SEBI Circular dated February 10, 2026, to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, FIs	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutal Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA

[2]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), among others. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the rating notes subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned in regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026, and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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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About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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