

## Talbro Engineering Limited

July 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	35.00 (Enhanced from 27.50)	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	60.00 (Reduced from 70.00)	CARE A-; Stable / CARE A2+	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 assigned to bank facilities of Talbro Engineering Limited (TEL) continues to derive strength from its experienced promoters and their long track record of operations, diversified automobile segments mix and reputed customer base considering its long-standing relationship with original equipment manufacturers (OEMs). Ratings also favourably factor in TEL's growing scale of operations in FY26 (FY refers to April 01 to March 31), driven by improved export sales and higher share of business (SOB) with its customers in the domestic market, leading to high-capacity utilisation levels. Ratings also take comfort from the comfortable financial risk profile despite moderate debt coverage indicators. However, ratings continue to remain constrained by the susceptibility of margins to raw material price volatility, exposure to foreign exchange fluctuation risk, working capital intensive operations, and presence in a cyclical auto industry.

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

#### Positive factors

- Sustained improvement in the scale of operations beyond ₹600 crore and improvement in return on capital employed (ROCE) above 21% on a sustained basis while maintaining overall gearing below unity.

#### Negative factors

- Decline in total operating income (TOI) below ₹300 crore and profit before interest, lease rentals, depreciation and taxes (PBILDT) margin below 11% on a sustained basis.
- Any higher-than-envisaged debt-funded capital expenditure deteriorating its debt to equity ratio to over 0.50x leading to moderation in the company's liquidity profile.

**Analytical approach:** Standalone

**Outlook:** Stable

The Stable Outlook reflects CARE Ratings Limited's (CareEdge Ratings) expectation of improvement in TEL's scale of operations, supported by its association with leading OEMs in the domestic market and addition of new customers in export market.

### Detailed description of key rating drivers:

#### Key strengths

##### Long track record of operations with experienced and resourceful promoters

TEL has a long track record of operations dating back to 1980, having previously been part of the erstwhile Talbro Group. The Talbro Group was founded in the 1930s by the Talwar family and has been manufacturing automotive components since 1957. TEL's key managerial personnel, Rajesh Talwar (president) and Tarun Talwar (chief operating officer), possess vast experience in the automotive and engineering industry and are actively involved in the company's day-to-day operations. The promoters have supported the company with the infusion of unsecured loans, which stood at ₹22.34 crore as on March 31, 2026 (₹24.34 crore as on March 31, 2025).

<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.

**Reputed client base with long-standing relationship**

TEL has a long and established relationship with reputed OEMs and Tier-1 suppliers. Its top revenue contributors are well-established players who enjoy strong market position in the industry, such as Mahindra & Mahindra, Ashok Leyland and Spicer India limited among others, and the company is the sole supplier of rear axle shafts to most customers for their specific models. This association with leading OEMs results in repeat orders, leading to consistent capacity utilisation of over 90% in recent years, necessitating regular capacity expansions at its plants.

**Diversified segment base**

TEL caters axle requirements of varied segments, insulating it from volatility in one segment. The company derives major share of its revenue from the utility vehicles (UV) segment contributing 51% to the total gross sales in FY26 (PY: 54%) followed by commercial vehicle (CV) segment contributing 16% to the total gross sales in FY26 (PY: 23%) and tractors segment contributing 3% to the total gross sales in FY26 (PY: 2%) in the domestic market. The company also has presence in exports (primarily replacement market), which contributed ~26% to the total gross sales in FY26 (PY: 17%), leading to geographical diversification. The improvement in performance was supported by the addition of new export customers and higher share of business from existing customers. The impact of US tariffs remained limited, as the incremental tariff burden was largely absorbed by the company's customers, mitigating significant adverse impact on demand.

**Comfortable financial risk profile**

TEL's overall gearing stood comfortable at 0.70x as on March 31, 2026 (PY: 0.69x). This has largely remained similar in FY26 owing to debt-funded capex undertaken and high utilisation of working capital borrowings, though it is supported by accretion of profits to net worth of the company. Debt coverage indicators improved but continue to remain moderate with interest coverage ratio and total debt to gross cash accruals (TD/GCAs) of 5.12x and 3.30x as on March 31, 2026, respectively (PY: 4.24x and 3.68x, respectively). The company's overall gearing is expected to remain similar in medium term owing to need for regular capacity addition to cater growing demand for rear axle shafts across segments.

**Steady operational performance**

The company's TOI has shown a steady trend and grown at a compounded annual growth rate (CAGR) of 11% in the last five fiscals ending March 31, 2026. TOI improved to ₹539.22 crore in FY26 from ₹446.40 crore in FY25, primarily driven by healthy growth in domestic sales volumes and addition of new customers in export market. Higher export sales (better margin segment) also led to improvement in the company's PBILDT margin which stood at 11.84% in FY26, improving by 66 bps against 11.18% in FY25. The PBILDT margin has shown a consistent trend in the range of 11-12% in the last few years despite continuous capex undertaken. Timely commissioning of the new unit and streamlining of revenue remains key monitorable.

**Key weaknesses****Working capital intensive operations**

Being in the auto ancillary industry, the company's operations remain working capital intensive. The company maintains inventory of ~2-3 months with large product range of axle shafts and spindles. Average debtor days typically range from 60-70 days due to the higher bargaining power of OEMs, while the credit allowed by suppliers is around one month. The company's operating cycle has remained elongated at 93 days as on March 31, 2026 (PY: 98 days).

**Exposure to cyclical automotive industry and geopolitical uncertainties**

The automobile industry is inherently cyclical, and automotive component suppliers' sales are directly linked to the production and sales volumes of automobile OEMs. The auto-ancillary industry remains highly competitive, with the presence of numerous organised and unorganised players. While the organised segment primarily caters to OEMs, the unorganised segment largely serves the replacement market and Tier-II and Tier-III suppliers. The industry remains exposed to geopolitical developments, global trade uncertainties, and changes in tariff regimes, which can disrupt supply chains, impact export demand, and create volatility in input costs. Consequently, the company's operations remain susceptible to external geopolitical and trade-related developments, which could impact growth and profitability.

**Susceptibility of margins to raw material price volatility and presence of foreign fluctuation risk**

TEL's margins are susceptible to raw material price volatility, particularly steel, which accounts ~50% total cost of sales in FY26 (PY: 54%). Global steel prices are volatile, exposing TEL to commodity price risk. Although TEL has limited bargaining power with its major customers, it has a mechanism to reset revision beyond 5% in raw material prices on a quarterly/half-yearly basis. The company is also engaged in exports of axles shafts, exposing it to forex risk, though the company enters hedging to cover part

of its foreign exchange risk. Due to the currency fluctuations, the company reported gain on foreign exchange transactions of ₹3.46 crore in FY26 (PY: gain of ₹0.31 crore).

### Liquidity: Adequate

The company has adequate liquidity as marked by sufficient cushion in expected GCA of ₹50 crore against repayment obligations of ₹15.42 crore for FY27. The company has planned to incur capex of ₹45 crore in FY27, to be funded by additional debt of ~₹30 crore and balance through internal accruals. The company has sufficient gearing headroom to raise additional debt (if required) going forward with comfortable capital structure having an overall gearing below 1x. Its bank limits are utilised to the extent of 70% for the last 12 months ending May 2026 and the company has above unity current ratio of 1.18x as on March 31, 2026.

### 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

TEL is engaged in manufacturing automotive rear axle shafts and other splined shafts and forgings used in commercial vehicles, utility vehicles and tractors. TEL has total six manufacturing plants with total manufacturing capacity of 29.20 lakh axle shafts per annum as on March 31, 2026. The company manufactures and sells 74% products to OEMs in the domestic market and remaining 26% are exported, primarily to the replacement market in North America.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	446.40	539.22
PBILDT*	49.92	63.83
Profit after tax (PAT)	20.17	29.16
Overall gearing (x)	0.69	0.70
Interest coverage (x)	4.24	5.12

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-Term Loan		-	-	March 2029	35.00	CARE A-; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	60.00	CARE A-; Stable / 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 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	35.00	CARE A-; Stable	-	1)CARE A-; Stable (04-Jul-25)	1)CARE A-; Stable (28-Jun-24)	1)CARE A-; Stable (05-Jul-23)
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	60.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (04-Jul-25)	1)CARE A-; Stable / CARE A2+ (28-Jun-24)	1)CARE A-; Stable / CARE A2+ (05-Jul-23)

LT: Long 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-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital 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 being disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments <sup>2</sup>
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 Mutual 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
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 press releases subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details and 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 during 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.

<sup>2</sup>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

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