Behari Lal Engineering Limited

August 03, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	45.75	CARE A-; Stable / CARE A2+	Assigned
Long-term bank facilities	RBI	0.72	CARE A-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Behari Lal Engineering Limited (BLEL) derive strength from the experienced promoters and their established track record in the steel industry, supported by a diversified product portfolio. Ratings also take comfort from the company's healthy operational performance with sizeable scale of operation and sustained improvement in profitability margins, driven by the increasing contribution from value-added products and continuous process improvements. Ratings are supported by BLEL's healthy financial risk profile, characterised by a sizeable net worth base, healthy capital structure, strong debt coverage indicators, and adequate liquidity position. However, ratings remain constrained by the working capital-intensive operations, arising from high inventory requirements and elongated receivable period. Ratings are also constrained by the supplier and customer concentration risk, and exposure to cyclicality inherent in the steel industry. BLEL's profitability remains susceptible to fluctuations in raw material prices, particularly steel scrap and ferro alloys, and its ability to sustain margins amid volatile industry conditions shall remain monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 16% on a sustained basis, resulting in healthy cash accruals and liquidity position.
- Sustained improvement in the working capital cycle and liquidity position, leading to further strengthening of the financial risk profile.
- Successful execution of planned capacity expansion and higher contribution from value-added products, leading to further strengthening of the business profile and profitability.

Negative factors

- Decline in profitability with PBILDT margin moderating below 14% on a sustained basis, resulting in weaker cash accruals.
- Significant deterioration in working capital intensity, resulting in the operating cycle stretching beyond current levels and increased dependence on external borrowings.
- Any large debt-funded capital expenditure resulting in weakening of the capital structure, with overall gearing rising above 0.25x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

[1]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

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

The 'Stable' outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation that the entity will continue to benefit from its established presence in the steel alloy casting industry and its long-term relationship with its customers.

Detailed description of key rating drivers

Key strengths

Experienced promoters with an established track record of operations

Established in 1995, the company manufactures rolled/structural steel products and operates in the casting industry. It benefits from the promoters' extensive industry experience, and has established operational track record, enabling the company to secure repeat business from customers. The promoters have undertaken periodic capital expenditure to enhance production capacity and operational efficiency. Management's focus on developing and increasing the share of high value-added products, such as metal rolls, tool steel, and die steel, has resulted in continuous improvement in operating margin. The company is promoted by Parkash Chand Garg, Director, who has over three decades of experience in the steel industry. The company's business operations are managed by Dinesh Garg, Managing Director, who has over three decades of industry experience and oversees overall business development and the company's future vision, and Rajesh Garg, Director, who has over two decades of industry experience and oversees overall business development.

Sustained improvement in profitability margins

BLEL has demonstrated a sustained improvement in its profitability profile over the last five years, supported by an increasing contribution from value-added products, operational efficiencies, and better process controls. The company's PBILDT margin improved steadily from 9.54% in FY22 to 14.46% in FY25, and further to 16.96% in FY26, while the profit after tax (PAT) margin improved from 6.58% in FY22 to 10.42% in FY25, and further to 12.03% in FY26. The gradual improvement was primarily attributable to the increased contribution from value-added products and operational efficiencies achieved through better process controls and optimisation measures. Consequently, PBILDT per metric tonne (MT) improved significantly to ₹11,141 in FY26 from ₹8,512 in FY25. The return metrics also stood healthy with return on capital employed (ROCE) of 30.70% and return on net worth (RONW) of 23.57% in FY26. The company continues to undertake targeted process-improvement capital expenditure, including machinery modernisation, infrastructure strengthening, and expansion of value-added manufacturing facilities. These investments are expected to support operational scalability, improve product quality, enhance the share of high-grade steel products, and strengthen operating efficiencies over the medium term.

Healthy operational performance with sizeable scale of operation

The company has demonstrated healthy revenue growth over the past four years, rising from ₹332.93 crore in FY22 to ₹537.18 crore in FY26, reflecting a healthy compound annual growth rate (CAGR) of ~12.70%. This growth has been primarily driven by the successful ramp-up of its rolling mill division operations, which commenced operations in March 2022, and the successful ramp-up of the additional steel melting capacity commissioned in March 2024. The company is operating at healthy average capacity utilisation levels of 85%-90%.

In FY26, BLEL reported total operating income (TOI) of ₹537.18 crore, compared to ₹508.39 crore in FY25, supported by improved sales realisation of ₹64,704 per metric tonne in FY26 from ₹57,670 per metric tonne in FY25, driven by a higher proportion of high value-added alloy steel products and engineering castings. While sales volume moderated to 81,794 metric tonne in FY26 from 86,348 metric tonne in FY25, the enhanced product mix strengthened the company's presence in relatively higher-margin steel segments and partially insulated profitability from volume fluctuations.

Healthy financial risk profile

The company's financial risk profile remains healthy with a strong capital structure and limited reliance on external debt. As on March 31, 2026, overall gearing ratio stood comfortable at 0.06x (PY: 0.03x), with total debt of ₹17.78 crore as on March 31, 2026 (PY: ₹7.58 crore), primarily considering higher utilisation of working capital borrowings, which stood at ₹17.02 crore (PY: ₹6.41 crore) and negligible term debt of ₹0.75 crore (PY: ₹1.17 crore). The gearing is expected to remain at a healthy level as no additional debt is anticipated in the near term, as there are no major debt-funded capital expenditure plans. The company has a sizeable net worth base of ₹305.82 crore as on March 31, 2026 (PY: ₹241.41 crore), supported by healthy cash accruals in FY26. The debt coverage indicators also stood satisfactory in FY26, reflected by the total debt to gross cash accruals (TD/GCA) ratio of 0.23x in FY26 (PY: 0.12x) and the PBILDT interest coverage ratio of 49.25x (PY: 37.29x). Going forward, the capital structure and debt coverage indicators are expected to remain comfortable considering profit accretion to reserves and absence of major debt-funded capital expenditure plans in the near future.

Diversified product portfolio with increasing share of value-added products

BLEL has a diversified product portfolio comprising alloy steel products, metal rolls, engineering castings, and forged ingots catering to multiple end-user industries, such as automotive, aerospace, defence, railways, power, cement, and infrastructure. Over the years, the company has steadily increased its focus on value-added and specialised steel products, resulting in improved sales realisation and profitability. The diversified product mix reduces dependence on a single product category and provides a cushion against fluctuations in demand from specific segment. The company had an unexecuted order book of ₹136.84 crore as on March 31, 2026 (PY: ₹93.00 crore), to be executed over the next 3-6 months.

Key weaknesses

Working capital-intensive operations

The company’s operations are working capital intensive. BLEL’s operating cycle remains elongated at 117 days in FY26 (PY: 103 days) largely due to the high inventory period of 77 days in FY26 (PY: 61 days). BLEL maintains inventory of ~60-75 days, comprising 45-60 days of work-in-progress and 10-15 days of raw materials, to ensure timely execution of orders and meet customer requirements. The company's manufacturing operations necessitate a relatively high inventory of raw materials and work-in-progress to ensure timely execution of customised orders, resulting in elongated inventory holding periods. BLEL extends a credit period of ~45-60 days to its customers, resulting in average collection period of 59 days in FY26 (PY: 57 days). On the other hand, raw material procurement is on an advance payment basis or with limited supplier credit of 15-20 days, reflected in average creditor days of 18 in FY26 (PY: 15 days). Going forward, with the expected growth in scale of operations and diversified product profile, the company's ability to efficiently manage inventory and receivables while containing working capital requirements will remain a key monitorable from a credit perspective.

Supplier concentration and moderate customer concentration risk

BLEL depends on external suppliers for procurement of key raw materials, including steel scrap and ferro alloys, with no backward integration in place. The top 10 suppliers accounted for ~63% of total raw material purchases in FY26 (PY: ~50%), exposing the company to supplier concentration and procurement-related risks. On the customer side, the company benefits from long-standing relationships and repeat business supported by its customised product offerings. However, the top 10 customers contributed ~38% of total sales in FY26 (PY: ~40%). While customer concentration remains moderate, sustained dependence on a limited customer base exposes the company to demand fluctuations and customer-specific risks.

Exposure to cyclicality in steel industry and raw material price volatility

BLEL remains exposed to the inherent cyclicality of the steel industry and raw material price volatility. Demand for the company's products is linked to end-user sectors such as infrastructure, automotive, engineering, railways, defence, and capital goods, which are susceptible to changes in economic activity, industrial investments, and capital expenditure cycles. Consequently, slowdown in domestic or global economic conditions could adversely impact demand and order inflows for the company's products. The company's key raw materials, including steel scrap and ferro alloys, are commodity products whose prices are highly volatile and influenced by global supply-demand dynamics, trade policies, and geopolitical developments. Although BLEL mitigates this risk to an extent through customer-specific and value-added products, adverse movements in raw material prices or an inability to pass on cost increases in a timely manner may impact profitability margins. The company's ability to maintain profitability and scale of operations amid fluctuations in steel prices and demand conditions will remain a key rating monitorable.

Liquidity: Adequate

The company has an adequate liquidity profile, marked by estimated GCA in the range of ₹88-₹90 crore in FY27, against negligible term debt obligation of ~₹0.45 crore. Average utilisation stood at ~10.70% for the trailing 12 months ending March 31, 2026, for the cash credit facility of ₹31.00 crore. The company had free cash and bank balances of ~₹11.14 crore and fixed deposits of ~₹42.07 crore (lying as margin money with banks) as on March 31, 2026. The company has satisfactory gearing of 0.06x, providing sufficient headroom for fresh debt. A sizeable net worth base of ₹305.82 crore as on March 31, 2026, provides financial flexibility in case of adverse conditions or downturns in business. No additional debt is anticipated in the near term, as there are no major debt-funded capital expenditure plans. The current ratio was healthy at 4.21x as on March 31, 2026 (PY: 3.06x).

Applicable criteria

Policy on Default Recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Rating of Short Term Instruments
Manufacturing Companies
Iron & Steel

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & mining	Ferrous metals	Iron & steel

BLEL was incorporated in 1995 and is engaged in manufacturing specialised iron and steel products used in critical engineering applications. The company manufactures customised products in accordance with customer-specific technical requirements and derives revenue from four major product segments—metal rolls, engineering castings, alloy steel products and forged ingots. BLEL operates two manufacturing facilities in Mandi Gobindgarh, Punjab, comprising a Steel Melting Shop (SMS) Division with an installed capacity of 54,690 metric tonnes per annum (MTPA) and a Rolling Mill Division (RMD) with an installed capacity of 65,000 MTPA as on March 31, 2026. The company's business operations are managed by Dinesh Garg, Managing Director, who has over three decades of industry experience and oversees overall business development and the company's future vision, and Rajesh Garg, Director, who has over two decades of industry experience and oversees overall business development.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	446.20	508.39	537.18
PBILDT	57.45	73.50	91.13
Profit after tax (PAT)	35.79	52.95	64.64
Overall gearing (x)	0.25	0.03	0.06
Interest coverage (x)	23.67	37.29	49.25

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

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

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	07-02-2028	0.72	CARE A-; Stable
Fund-based/Non-fund-based-LT/ST	RBI	Simple	-		-	-	45.75	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/Non-fund-based-LT/ST	LT/ST	45.75	CARE A-; Stable / CARE A2+	-	-	-	-
2	Fund-based - LT-Term Loan	LT	0.72	CARE A-; Stable	-	-	-	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: 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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About us:

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