

September 5, 2025

## Godrej & Boyce Manufacturing Company Limited: Ratings reaffirmed, rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	900.00	1,200.00	[ICRA]A1+; reaffirmed / assigned for enhanced amount
<b>Total</b>	<b>900.00</b>	<b>1,200.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating reaffirmation factors in the diversified business risk profile of Godrej & Boyce Manufacturing Company Limited (G&B) with presence across multiple consumer and industrial product segments, insulating the company from downturns in any particular sector. The company enjoys a strong footing in the domestic home and office furniture space and is among the leading players in the domestic refrigerator segment. The ratings also factor in G&B's strategic importance to the Godrej Enterprises Group as its oldest operating company and its strong brand recall. The rating also continues to factor in the exceptional financial flexibility enjoyed by G&B by being a part of the Godrej Enterprises Group, which is further augmented by the significant market value of its listed investments in associate entities (valued at Rs. 11,714 crore as of July 31, 2025) and its land and real estate holdings at Vikhroli in Mumbai. Apart from its monetisation potential, the latter also provides a steady lease rental income flow to the company.

These strengths are partially offset by the company's moderate financial risk profile due to its presence in low-margin mass products in the consumer products segment and modest profitability of some of its divisions. Besides, sizeable working capital requirements and ongoing capital expenditure have resulted in modest debt coverage and return indicators for G&B. The receivables position has increased over the past couple of fiscals mainly on account of few of the divisions seeing an increasing trend in revenue share from the Business-to-Government (B2G) and Business-to-Business (B2B) business models which entail a relatively longer credit period. While the company reported a healthy 20% YoY revenue growth in FY2025 (11% YoY revenue growth in Q1 FY2026), backed by steady demand across the key business verticals, its operating margins continued to remain range-bound due to inflationary pressure, which could not be fully passed on to the end-consumers in some of the divisions. While the appliances division (the largest division in terms of revenue contribution) has reported some improvement in its contribution margin, from -2.0% (FY2023) to 2.2% (FY2024) and further to 4.0% in FY2025, the same remains lower than the historic level of 6-7% and the division's industrial peers. In line with G&B's plans to enhance its focus on the premium offerings within the appliances division, the divisional margins are expected to further improve over the medium term. The process equipment (PE) division witnessed a steep decline in profitability in 4M FY2026 – with multiple countries (including India) catered to by the division having undertaken elections in the recent past, the project rollouts in these countries were slowed down, leading to a muted order book position for the division. However, with the order book position now firming up, the division is expected to post a gradual recovery in performance in the near to medium term. G&B continues to face intense competition in the consumer appliances, and furniture and interiors divisions, limiting its pricing power and margins in these divisions, which account for close to half of its revenues. However, increased thrust on improving market penetration and reach by expanding its distribution network, and focus on premium offerings, are expected to support the performance of these segments over the medium term.

ICRA also takes comfort from the sizeable market value of its listed associate investments, which lends it high financial flexibility. Nonetheless, such financial flexibility is also subject to volatility in the stock market. ICRA will continue to monitor the value of G&B's listed investments, going forward.

Apart from retaining and improving its market share in the appliances and furniture segment to support its profitability, G&B's ability to reduce its fixed costs through cost optimisation will be crucial for maintaining its credit profile. Besides, the company's ability to scale up operations across divisions in a profitable manner remains critical for further improvement in its credit profile and, accordingly, would continue to be monitored.

## Key rating drivers and their description

### Credit strengths

**Enjoys exceptional financial flexibility for being a part of the Godrej Enterprises Group; further supported by significant market value of listed investments and real estate holdings** – As a part of the Godrej Enterprises Group, the company enjoys exceptional financial flexibility. The company has interests in various businesses spanning white goods appliances, home and office furniture, locks, security solutions, storage solutions, real estate development and heavy engineering projects. ICRA derives considerable comfort from the market value of listed investments in the associate entities, with G&B's unquoted investments [including GCPL (7.33% as of June 2025) and GPL (3.54% as of June 2025)] valued at Rs. 11,368 crore as of June 2025. The company had transferred its majority stake in GCPL and GIL to other investment companies from the Group as a part of its business restructuring in FY2017. Nevertheless, ICRA expects G&B to continue to retain the balance stake in GCPL and GPL. Further, comfort is also drawn from the company's large land bank at Vikhroli in Mumbai, apart from its holdings in significant commercial real estate, which can be monetised as and when required.

**Diversified business presence insulates it from downturn in any single segment** – G&B is the oldest operating company in the Godrej Enterprises Group and is strategically important to it with a diverse business presence spanning 14 business divisions, categorised under two broad segments of consumer products and industrial divisions. Its consumer products division includes consumer appliances, furniture and interiors, security solutions, storage solutions, vending machines and locking solutions. Its industrial divisions include process plant and equipment, material handling equipment, precision engineering, aerospace and tooling, energy solutions, and motor solutions. In FY2025, G&B derived around 70% of its total revenues from its consumer products division, with the balance generated by the industrial division (around 25%), followed by the leasing and construction businesses (around 5%) and other income. Such diversified presence reduces its dependence on a single sector, thus insulating it from downturn in any single segment, to a large extent. The steady revenue stream of around Rs. 300 crore per annum from leasing its commercial real estate also imparts some stability to the company's financial risk profile.

**Strong brand and established presence in home and office furniture space; renowned player in the refrigerator segment** – By virtue of its established presence in the consumer appliances and locks business, the 'Godrej' brand held by G&B has become a household name and has been suitably used by the company to expand its product portfolio across businesses. The company also has a strong footing in the home and office furniture space through its Interio brand and is well poised to capture a higher share in the growing organised market. In the consumer durables space, the company enjoys a decent presence in the refrigerator market with an 8.7% volume market share in FY2025. It is also reasonably placed in the air conditioner and washing machine markets with a volume market share<sup>1</sup> of 6.7% and 5.5%, respectively, during the same period. The company is aiming to strengthen its product portfolio and enter into high-end products across different appliance categories. It also plans broader geographical penetration through expansion in the rural and tier-II/III markets. The company also plans to roll out new products across different segments to further strengthen its product portfolio. Such efforts are expected to augur well for the future growth prospects of the company.

### Credit challenges

**Moderate financial risk profile** – The company has a moderate financial risk profile due to its presence in low margin, mass products in the consumer products segment and modest profitability in some of the industrial divisions, which coupled with long outstanding receivables (given the increasing revenue share from B2B and B2G businesses) and sizeable capex incurred

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<sup>1</sup> Market share data as per company

over the past few years, have resulted in modest debt coverage and return indicators. Most of G&B's business divisions reported margin expansion in FY2025, with the company reporting a marginal YoY improvement in its operating margin in FY2025 at 8.2%, with improved profitability for the appliances division fueling a part of the improvement in margins on a YoY basis. While the steep YoY decline in profitability seen for the PE division in Q1 FY2026 may have a bearing on overall profitability in the near term, comfort is drawn from the buildup of order book, which should support the margin expansion, going forward. Moreover, upcoming festive season is likely to aid demand for divisions like appliances, furniture and interiors, which coupled with project-based divisions typically getting Government orders in Q3 and Q4 every fiscal year is likely to support revenue growth and margin expansion in H2 FY2026.

**Intense competition in the consumer appliances and furniture businesses** – The company derives 35-40% of its revenue from the consumer appliances business, where it faces intense competition from players such as Samsung, LG, Whirlpool, Voltas etc. G&B's market share across addressable sub-segments in the appliances division remains limited. Hence, its ability to expand its market share will be crucial to support its business risk profile, going forward. In this context, ICRA takes note of the gradual YoY improvement in market share of G&B seen in FY2025 across segments like refrigerators, air conditioners and washing machines, aided by new product launches (such as new model launches in split air conditioners, front load washing machines and frost-free refrigerators). Competition also remains quite high in the furniture and interiors business on account of competition from both organised and unorganised players. While G&B has demonstrated healthy revenue growth momentum in the division during FY2025-4M FY2026, its ability to maintain a healthy profitability in the segment remains monitorable, especially in wake of heightening competition.

### Liquidity position: Adequate

The company's liquidity profile is adequate, supported by free cash and liquid investments of ~Rs. 340 crore and unutilised working capital lines of over Rs. 2,250 crore as on March 31, 2025. The average fund-based working capital utilization for FY2025 stood limited, at 22%, underlining substantial buffer available in the form of undrawn working capital lines. Considering the improvement in sales momentum, ICRA expects G&B's cash flow from operations of Rs. 700-800 crore over the medium term, and its existing liquidity to remain sufficient to fund its capex spends of Rs. 600-700 crore, and debt repayment obligations of Rs. 705 crore (including Rs. 397 crore of public fixed deposits which are renewable) in FY2026. While the company has dependence on short-term borrowings to meet some of its funding requirements, the rolling-over nature of most of the short-term funding instruments provides some comfort. Further, the sizeable market value of its investments in associate companies amounting to Rs. 11,714 crore as of July 31, 2025 end lends an exceptional financial flexibility to G&B. Apart from the above, G&B's financial flexibility is enhanced by the company's real estate and land holdings. In addition, the company enjoys easy access to debt markets and enjoys strong relationships with banks as it is a part of the Godrej Enterprises Group. These factors, cumulatively, are expected to support the company's liquidity position, going forward.

### Rating sensitivities

**Positive factors** – Not Applicable

**Negative factors** – Pressure on G&B's rating could arise if there is weakening of cash flow generation and/ or an elongation of its working capital cycle or higher-than-expected debt-funded capex, leading to a material and sustained deterioration in its financial risk profile, along with considerable decline in the value of quoted investments, which affects its financial flexibility.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of G&B.

## About the company

G&B is a part of the Godrej Enterprises Group, which operates in diverse business segments spanning home appliances, locks, consumer products, industrial products (process plant and equipment), real estate development and IT solutions through various Group companies. G&B was a holding-cum-operating company until March 2017, when its majority stake in GIL (around 58%) and GCPL (around 27%) was transferred to other Group investment companies, while retaining a 7.34% stake in GCPL and 4.64% in GPL at that time (G&B held 7.33% and 3.54% stakes in GCPL and GPL, respectively, as of June 30, 2025). The rationale for the restructuring was to enhance the company's flexibility for any future corporate action, such as an Initial Public Offering (IPO), public listing of an individual division or a strategic partner coming on board.

G&B began its journey by manufacturing high quality locks in 1897. At present, the company operates in diverse business divisions, offering consumer, office and industrial products and services across India and overseas. G&B's main production facility is in Mumbai (Vikhroli), while its manufacturing units are at Khalapur, Shirwal and Shindewadi (Maharashtra), Mohali (Punjab), Bhagwanpur and Haridwar (Uttarakhand), Dahej (Gujarat) and Chennai (Tamil Nadu). The company is in the process of relocating its operational divisions from Vikhroli to Khalapur for better cost efficiency and logistical ease.

## Key financial indicators

G&B (Standalone)	FY2024 Audited	FY2025 Audited
Operating income (Rs. crore)	16,282.3	19,563.9
PAT (Rs. crore)	409.0	568.6
OPBDIT/OI (%)	8.0%	8.2%
PAT/OI (%)	2.5%	2.9%
Total Outside Liabilities/Tangible Net Worth (times)	0.7	0.9
Total Debt/OPBDIT (times)	2.8	2.9
Interest Coverage (times)	4.9	5.2

*PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Total debt also includes lease liabilities and receivables factoring*

*Source: G&B, ICRA Research*

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 5, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Commercial Paper Programme	Short-term	1,200.00	[ICRA]A1+	29-Oct-24	[ICRA]A1+	6-Oct-23	[ICRA]A1+	27-Oct-22	[ICRA]A1+
				10-May-24	[ICRA]A1+	-	-	-	-

Source: Company

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial Paper Programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

**Annexure-1: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
<b>INE982D14BF5</b>	Commercial Paper	17-Jun-2025	5.90%	16-Sep-2025	200.00	[ICRA]A1+
<b>INE982D14BG3</b>	Commercial Paper	24-Jul-2025	5.95%	15-Oct-2025	700.00	[ICRA]A1+
<b>Unplaced</b>	Commercial Paper	NA	NA	NA	300.00	[ICRA]A1+

Source: Company

**Annexure-2: List of entities considered for consolidated analysis: Not applicable**

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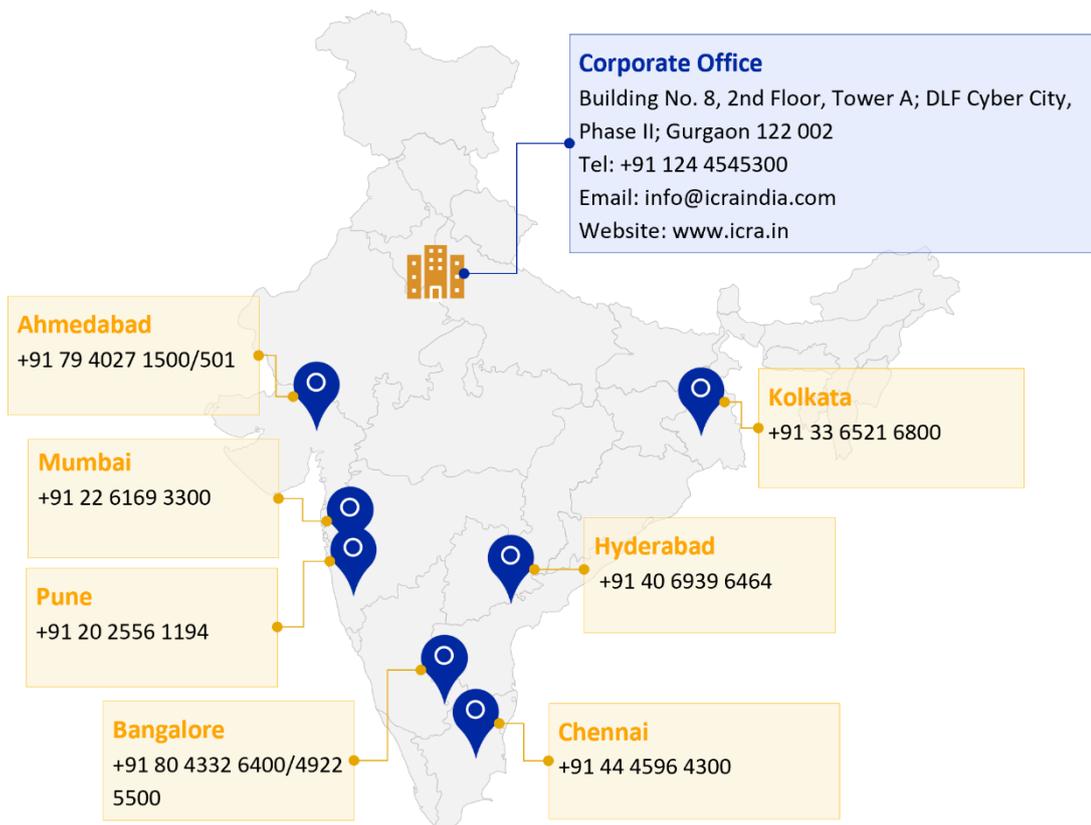
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### Branches



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