March 28, 2025

Bajaj Motors Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term Loan	63.04	45.74	[ICRA]A (Stable); reaffirmed
Long-term – Fund-based – Cash Credit	50.00	50.00	[ICRA]A (Stable); reaffirmed
Short-term – Non-fund based	22.50	22.50	[ICRA]A2+; reaffirmed
Long-term/ Short-term – Unallocated	14.46	31.76	[ICRA]A (Stable)/ [ICRA]A2+; reaffirmed
Total	**150.00**	**150.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation of Bajaj Motors Limited's (BML) ratings reflects its long and established market position in the auto component industry and its strong business relationship with Hero MotoCorp Limited (HMCL), one of the leading players in the two-wheeler industry. Additionally, BML's ability to maintain its share of business from original equipment manufacturers (OEMs) in the two-wheeler (2W), passenger vehicle (PV), and commercial vehicle (CV) segments, including Royal Enfield, Honda Motorcycle and Scooter India, and Tata Motors, as well as onboarding new clients like Bosch India, provides comfort.

In 9M FY2025, BML posted a moderate revenue growth of 1.8% on a year-on-year (YoY) basis against a growth of 2.0% YoY in FY2024, while its margins improved to 7.2%, up from 6.7% in FY2024. This margin expansion was largely on the back of cost-saving initiatives, including automation, tooling, and waste material optimisation. While BML's debt metrics remain healthy with a gearing of 0.21 times as on December 31, 2024, and interest coverage ratio of 7.75 times in 9M FY2025, its debt levels are projected to increase, going forward, due to partially debt-funded capital expenditure being undertaken towards plant and machinery procurement for capacity expansion, automation of existing facilities, and purchase of real estate. Despite these, BML's capital structure is expected to remain comfortable.

The ratings are constrained by segment and customer concentration risks towards the 2W segment and Hero MotoCorp Limited (HMCL), respectively. However, the same are expected to improve to a certain extent as business from new clients ramps up. The company faces medium-term business risk due to the rapid transition of the 2W segment towards electric vehicles (EVs) as the traditional 2W segment generates a significant share of revenues for BML. While the management is working towards increasing BML's revenue share from electric 2W (e-2W) parts, progress on the same will remain a key monitorable. Additionally, BML's revenues are susceptible to the inherent cyclicality of the automotive industry. The ratings are further constrained by the company's modest margin profile and suppressed return on capital employed (ROCE) on account of substantial investments in capacity enhancement and upgrades over the past few years, which are generating returns only gradually. Moreover, BML's investments in real estate properties are yielding lower returns, further impacting the ROCE.

The Stable outlook factors in ICRA's expectation that BML will continue to maintain its position as an established supplier to its OEM clientele, benefitting from new client addition across end user segments and available capacities across end-user automobile segments.

Key rating drivers and their description

Credit strengths

Established relationship with HMCL as a key supplier of casting and forging components – The company has an established relationship with HMCL, the market leader in the Indian 2W industry and has maintained its share of business and content per vehicle over the years with supplying various components like cam shaft, fork gear shift, arm valve rocker, etc. to HMCL. In the 2W segment, the company has also scaled business with customers like Harley Davidson, Royal Enfield and HMSI. ICRA notes that repeat orders from its clients provide adequate revenue visibility in the medium-term.

Healthy capital structure owing to high net worth – BML has built a strong net worth over the years with reinvestment of accruals in the business. As a result, the company had a low gearing of 0.21 times as on December 31, 2024, as per provisional results, thus, demonstrating a healthy capital structure. Further, BML has repaid a sizeable portion of the debt availed over the last few years to enhance its capacities. BML has plans to incur partially debt-funded capex towards purchase of new plant and machinery along with investment towards facility automation and land acquisition. While this is expected to impact BML's coverage metrics to a certain extent, going forward, the overall debt metrics are expected to remain comfortable, supported by earnings improvement. In 9M FY2025, BML's interest coverage ratio stood at 7.75 times and TD/OPBITDA of 1.58 times against 6.43 times and 1.75 times in FY2024.

Credit challenges

Modest profitability metrics, expected to improve gradually – ICRA notes that BML's operating margins improved to 7.2% in 9M FY2025 from 6.7% in FY2024, led by implementation of cost-saving projects involving automation and tooling, waste material and product optimisation. With the addition of new clients, new businesses from existing clients and benefits of operating leverage kicking in, the company expects further improvement in margin in FY2026. BML's return metrics have remained suppressed as investments made towards capacity enhancement have generated return only on a gradual basis. Besides, BML's investments in real estate have also yielded moderate returns, constraining the RoCE to a certain extent. BML's profitability metrics are expected to improve on a gradual basis as it scales up its earnings after having incurred sizeable capex over the last few years.

Significant client and segment concentration in 2W segment; expected to gradually improve with new customer acquisitions – BML is exposed to high customer concentration risk as it derives more than 50% of its revenues through sales to HMCL. Further, more than 70% of its revenue are derived from the 2W segment, leading to segment concentration risk. However, the same is mitigated largely by the market leading position of HMCL and the company's stable share of business with the OEM. Also, the acquisition of new business in other segments like PVs would increase BML's customer diversification, going forward, though on a gradual basis. However, the company's revenues are susceptible to cyclical demand trends or any supply disruption, impacting the automotive sector.

Transition to EVs pose medium-term challenge, although BML is making efforts to create presence in the segment – BML generates 50-55% of its revenue from the sale of engine parts to its OEM customers, especially those in the 2W segment. The 2W segment is witnessing a rapid rate of EV adoption and, hence, the potential demand shift towards EVs over the medium-term exposes BML to technology and product obsolescence risk. ICRA, however, notes that the company is making efforts to foray into the EV space and has made investments towards the same. Revenue trajectory from the same will remain a key monitorable.

Liquidity position: Adequate

BML's liquidity is adequate, supported by available drawing power, moderate average utilisation (38%) of its working capital limits in the past 12 months, improving cash accruals and cash and liquid investments of ~Rs. 2.2 crore as on December 31, 2024. The company had ~Rs. 34.4 crore of unutilised sanctioned limits as on January 31, 2025. BML is expected to incur a capex of Rs. 20-25 crore in FY2025 and Rs. 35-40 crore in FY2026, to be funded by internal accruals and fresh term loans. The company has scheduled annual debt repayments of ~Rs. 18.1 crore in FY2025 and ~Rs. 19.0 crore in FY2026.

Rating sensitivities

Positive factors – A rating upgrade could be triggered if there is a significant improvement in profitability and liquidity with scale up in operations and, thus, debt coverage metrics. Substantial improvement in business risk profile through material customer and segment diversification will also be a positive.

Negative factors – A negative rating action could be triggered in case of any significant deterioration in profitability or if any major debt-funded capital expenditure or deterioration in the company's working capital cycle weakens its financial and/or liquidity profile. Total debt/OPBITDA of more than 2.3 times on a sustained basis could trigger a downgrade as well.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Bajaj Motors Limited (BML) is a manufacturer of forging and casting-based auto components, primarily engine and chassis parts, for two-wheeler (2W), four-wheelers (4W), tractors and commercial vehicles (CV). The company's product portfolio primarily comprises high precision and machined components for engine and chassis. The company's customer profile comprises OEMs such as Hero Motocorp Limited, Renault Nissan, Harley Davidson (HD – Exports) and Tata Motors Limited among others. Nearly 65-72% of the company's revenues are generated from the 2W segment, followed by PV at 10-13% and CV at 8-10%.

BML was incorporated in July 1986 as a private limited company and was subsequently converted into a public limited company. The company initially started operations as a machining unit with its manufacturing facility located at Gurgaon. After establishing itself in the machining business, the company backward integrated into forging operations at its Gurgaon facility in 2002. Subsequently in 2006, the company further integrated its business and set up its first casting unit at Binola, Gurgaon.

At present, the company has six manufacturing facilities in Gurgaon (Haryana) with forging, casting and machining capabilities, two facilities in Pantnagar (Uttarakhand) with forging and machining capabilities, and another facility in Haridwar (Uttarakhand) with machining capabilities.

Key financial indicators (audited)

	FY2023	FY2024	9M FY2025*
Operating income	665.9	679.1	515.3
PAT	9.8	15.3	11.3
OPBDIT/OI	6.9%	6.7%	7.2%
PAT/OI	1.5%	2.3%	2.2%
Total outside liabilities/Tangible net worth (times)	0.5	0.5	0.5
Total debt/OPBDIT (times)	1.8	1.8	1.6

Interest coverage (times)	6.0	6.4	7.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, ; indicates Provisional Numbers*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**Mar 28, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long term-term loan-fund based	Long Term	45.74	[ICRA]A (Stable)	05-Apr-2023	[ICRA]A (Stable)	04-Apr-2022	[ICRA]A+ (Negative)	07-Apr-2021	[ICRA]A+ (Stable)
				28-Mar-2024	[ICRA]A (Stable)	15-Feb-2023	[ICRA]A (Stable)	-	-
Long term / short term-unallocated-unallocated	Long Tem/Short Term	31.76	[ICRA]A (Stable)/ [ICRA]A2+	05-Apr-2023	[ICRA]A (Stable)/ [ICRA]A2+	04-Apr-2022	[ICRA]A+ (Negative)/ [ICRA]A1	07-Apr-2021	[ICRA]A+ (Stable)/ [ICRA]A1+
				28-Mar-2024	[ICRA]A (Stable)/ [ICRA]A2+	15-Feb-2023	[ICRA]A (Stable)/ [ICRA]A2+	-	-
Long term-cash credit-fund based	Long Term	50.00	[ICRA]A (Stable)	05-Apr-2023	[ICRA]A (Stable)	04-Apr-2022	[ICRA]A+ (Negative)	07-Apr-2021	[ICRA]A+ (Stable)
				28-Mar-2024	[ICRA]A (Stable)	15-Feb-2023	[ICRA]A (Stable)	-	-
Short term-others-non fund based	Short Term	22.50	[ICRA]A2+	05-Apr-2023	[ICRA]A2+	04-Apr-2022	[ICRA]A1	07-Apr-2021	[ICRA]A1+
				28-Mar-2024	[ICRA]A2+	15-Feb-2023	[ICRA]A2+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund Based – Term Loan	Simple
Long Term – Fund Based – Cash Credit Facilities	Simple
Short Term – Non-Fund Based Facilities	Very Simple
Long Term/Short Term – Unallocated	Not Applicable

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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based – Term Loan	2018-2024	7.2-9.1%	2023-2028	45.74	[ICRA]A (Stable)
NA	Fund-based cash credit facilities	NA	NA	NA	50.00	[ICRA]A (Stable)
NA	Non-fund-based limits	NA	NA	NA	22.50	[ICRA]A2+
NA	Long-term/Short-term unallocated	NA	NA	NA	31.76	[ICRA]A(Stable)/[ICRA]A2+

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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