

August 06, 2025

## Delux Bearings Private Limited: Ratings upgraded to [ICRA]BBB+ (Stable)

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	-	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure-I

### Rationale

The rating upgrade for Delux Bearings Private Limited (DBPL) factors in a sustained improvement in its operating and financial performance, reflected in a gradual but consistent revenue growth led by new product development amid improving demand prospects across varied segments. The rating upgrade further factors in the comfortable financial risk profile of DBPL, which is expected to sustain in the near-to-medium term in the absence of any significant debt-backed capex plan.

ICRA also notes the benefits derived from the synergies with the parent company, the Fersa Group, a leading global player in the bearings industry, which owns the majority stake in the company. The parent company provides wider global network and technical support to DBPL. The synergy is expected to play out in terms of improving cost structure owing to diversification in raw material procurement and new client acquisition, which can be catered to directly or through the Fersa Group's flagship entity, headquartered in Spain. Besides, ICRA expects the revenue growth momentum to continue and the operating profit margin (OPM) to remain stable in the medium term, driven by access to technology for new products, new geographies, clientele and a shift towards cost effective raw material procurement.

The rating, however, remains constrained by DBPL's moderate scale of operations, resulting in limited economies of scale, and intensely competitive and fragmented nature of the industry, which limit the pricing flexibility of industry participants and restrict margin expansion. These factors, coupled with partial outsourcing of manufacturing activities, contribute to moderate profit margins. Moreover, the margins remain susceptible to adverse movements in raw material prices as well as foreign exchange rates, given the sizeable revenue contribution from exports. However, the latter risk is mitigated to an extent as the company hedges its forex exposure selectively. ICRA also notes the company's capital expenditure (capex) plans, which are expected to be partly funded through debt. However, the debt protection metrics are likely to remain comfortable with the expected scale-up of operations and improved cash flow generation.

The Stable outlook on the rating reflects ICRA's expectations that DBPL will benefit from the enhanced product mix, new client additions and benefits arising out of synergies with the parent Group, which is expected to drive revenue and improve the operating margins while maintaining comfortable coverage metrics, despite debt-funded capex over the near-to-medium term.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoters in the bearings business, aided by well entrenched distribution network** – Following its onboarding of Delux Bearings Private Limited (DBPL) in FY2023, the Group brought in Mr. Carlos Miguel Oehling as Director and Mr. Rafael Merchan replaced Mr. Pedro Pablo Andreu as Director in July 2025. DBPL is led by Mr. Rohan Rathod, who serves as the Chairman and Managing Director, along with a skilled and experienced management team. The company has developed a strong operational track record, supported by the industry expertise of its promoters. It is constantly updating its

product portfolio and penetrating into new markets, which have facilitated consistent growth. The company has a network of 250 dealers along with five regional managers across the country for distribution of its after-market segment products, providing nationwide coverage. Recently, DBPL has started expanding in Kerala and Uttar Pradesh regions for its after market segment, which is expected to provide impetus to the company's operating income, going forward.

**Financial and operational synergies emanating from strong parentage** – Following its onboarding of DBPL in FY2023, the Fersa Group has significantly contributed to the former's technical, operational, and financial capabilities. The Fersa Group has helped in establishing the taper roller bearing (TRB) line and provides technical consultancy in other product development. DBPL now benefits from direct access to Fersa's supplier network in China, enabling cost-effective sourcing and improved operating margins. Additionally, DBPL has entered Fersa's global customer base and is poised to begin direct exports, which will help reduce transfer pricing costs. ICRA expects this momentum to continue, with its OPM remaining stable in the medium term, supported by enhanced access to advanced technology, new markets, expanded clientele, and a robust supply chain for sourcing.

**Comfortable financial risk profile** – The company's financial profile is comfortable, marked by low gearing and comfortable coverage indicators. The gearing stood at 0.4 times as on March 31, 2025, due to limited debt vis-à-vis Tangible Net Worth (TNW) of the company, which has improved over a period of time but continues to remain moderate. The coverage indicators remained comfortable in FY2025 with an interest coverage ratio of 5.3 times and total debt-to-operating profit of 1.1 times. DBPL's debt-funded capex plans towards adding new machinery to augment its manufacturing capacities and product mix (TRB and CPCA) are expected to increase its debt levels to some extent in FY2026. Despite the same, the debt protection metrics are expected to remain comfortable with the likely scale-up of operations and improved internal cash flow generation.

### Credit challenges

**Moderate scale of operations** – While DBPL has achieved sustained revenue growth in recent years, its operational scale remains moderate (its FY2025 revenues stood at Rs. 308.5 crore), limiting its ability to fully capitalise on the economies of scale. However, the company has consistently expanded its footprint in new regions in domestic markets and overseas, supported by a wider product portfolio. Besides, it is consistently upgrading its products, introducing new products in the market and increased its manufacturing capacity, which are expected to drive future growth. Moreover, DBPL is likely to benefit from the established presence and network of the Fersa Group.

**High competitive intensity limits pricing flexibility** – The company operates in a highly competitive environment, facing pressure from both organised and unorganised players. This limits its ability to command premium pricing and weakens its negotiating leverage with suppliers and customers, thereby exerting some pressure on its margins. DBPL draws strength from its established brand reputation, strong backing from its parent group, wide distribution network, and a well-diversified revenue portfolio.

**Moderate profit margins owing to partial outsourcing of manufacturing activity** – The company does 50% of its manufacturing in-house, and outsources the rest to contract manufacturers, which limits the value addition in its operations. Besides vulnerability to raw material price volatility, intense competition and limited economies of scale result in moderate profit margins for DBPL. Nonetheless, increasing economies of scale and diversification of the product mix (with the Fersa Group acquiring the majority stake) are expected to reduce its input costs and improve margins gradually. Also, DBPL's margins remain susceptible to adverse movements in foreign exchange (forex) rates, given the sizeable revenue contribution from exports. However, the risk is mitigated to an extent as the company hedges its forex exposure selectively.

### Liquidity position: Adequate

DBPL's liquidity remains adequate, supported by steady cash flow generation and cash and bank balances worth Rs. 1.8 crore as on March 31, 2025, with Rs. 2.5 crore as fixed deposit under lien towards bank loan and Rs. 3.5 crore in debt mutual funds. Further, the company has sufficient cushion in the form of its undrawn working capital lines with an average working capital

utilisation of 66% during the last 12 months ended in May 2025. The company has debt payment of Rs. 8.8 crore and incurring capex of Rs. 24 crore in FY2026, to be funded by Rs. 18 crore of term loan and the rest via internal cash flow generation.

### Rating sensitivities

**Positive factors** - ICRA could upgrade DBPL's rating if it demonstrates growth in its revenues and profitability, while maintaining its debt coverage metrics and liquidation position on a sustained basis.

**Negative factors** – Pressure on DBPL's rating could arise if there is a sustained decline in revenues and profitability, or large debt-funded capex or a deterioration in the working capital cycle adversely impacting the company's liquidity position and debt coverage metrics. Specific credit metrics that could lead to a rating downgrade include Total Debt/OPBDITA of more than 2.3 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Auto Components</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of DBPL. As on March 31, 2024, the company had one subsidiary, DLXinfinity Driveline Private Limited, which is now merged with DBPL

### About the company

Incorporated in 2000, DBPL manufactures bearings for the automotive segment like normal ball bearings, taper roller bearing, concentric pneumatic clutch actuator and other bearings, which are majorly used in commercial vehicles and some light passenger vehicles and 2-wheelers. DBPL has three plants located in Surendranagar, Rajkot (Gujarat), and Pune (Maharashtra). The company is owned by the Fersa Group, Spain, which holds the majority of the equity ownership, while the rest is owned by the promoter, Mr. Rohan K Rathod.

### Key financial indicators (audited)

DBPL	FY2024	FY2025
Operating income	225.0	308.7
PAT	6.0	14.0
OPBDIT/OI	7.9%	10.0%
PAT/OI	2.6%	4.5%
Total outside liabilities/Tangible net worth (times)	1.2	1.0
Total debt/OPBDIT (times)	3.1	1.1
Interest coverage (times)	4.1	5.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation; Amount in Rs. crore,  
Note: All financial ratios as per ICRA's calculation

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

**Any other information: None**

### Rating history for past three years

Instrument	Current year (FY2026)			Chronology of rating history for the past 3 years						
	Type	Amount Rated (Rs Crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Issuer Ratings</b>	Long-term	-	Aug 06, 2025	[ICRA]BBB+ (Stable)	Nov 21, 2024	[ICRA]BBB (Stable)	Aug 09, 2023	[ICRA]BBB (Stable)	Aug 05, 2022	[ICRA]BBB- (Stable)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	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	Issuer Ratings	-	-	-	-	[ICRA]BBB+ (Stable)

Source: Company

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

## ANALYST CONTACTS

**Jitin Makkar**

+91 124 4545 368

[jitinm@icraindia.com](mailto:jitinm@icraindia.com)

**Nishant Misra**

+91 124 4545 862

[nishant.misra@icraindia.com](mailto:nishant.misra@icraindia.com)

**Ronak Vadher**

+91 22 6169 3341

[ronak.vadher@icraindia.com](mailto:ronak.vadher@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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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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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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