

February 9, 2026

Balu Forge Industries Limited: Ratings reaffirmed, rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term Fund-based/ Non-fund Based Limits	25.00	166.00	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed /assigned for enhanced limits
Long-term-Fund-based - Term loans	0.00	38.03	[ICRA]A-(Stable); assigned
Short-term – Non-fund-based facilities	0.00	26.00	[ICRA]A2+; assigned
Long-term/ Short-term Fund-based/ Non-fund Based - Unallocated Limits	0.00	0.97	[ICRA]A-(Stable)/[ICRA]A2+; assigned
Total	25.00	231.00	

*Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation for Balu Forge Industries Limited (BFIL) consider the extensive experience of its management in the machined forgings industry, spanning over three decades. Such long experience of the promoters and well-established operational track record resulted in BFIL's ability to acquire a reputed clientele across multiple end-user segments and countries over the years. ICRA also notes the company's growing scale of operations, as reflected by the consolidated revenues growing at a robust compound annual growth rate (CAGR) of 60% between FY2021 and FY2025. The said revenue growth was supported by segmental diversification undertaken by the company over the years, and also through its focus on higher value-added products, resulting in higher realisation levels. BFIL's capital structure remains healthy, with a gearing of 0.1 times as on March 31, 2025, as well as September 30, 2025, at a consolidated level. Equity infusion of around Rs. 470 crore made over the last two fiscals supported the capital structure while also helping the company reduce its reliance on external borrowings, strengthening the leverage and the coverage indicators. With marketing presence in over 80 countries and substantial revenue share through exports, BFIL demonstrates a high degree of geographical diversification. The company also exhibits low customer concentration, with its top five customers contributing around 37% to the standalone revenues in FY2025 (35% in H1 FY2026). Such high degree of customer and geographical diversification safeguard the company's operations against any customer-specific or geography-specific slowdown risks to an extent.

The ratings, however, remain constrained by the working capital-intensive nature of operations, characterised by elongated receivables, resulting in a high working capital intensity (41.0% and 44.3% in FY2025 and H1 FY2026, respectively). While there has been a gradual moderation in the receivables position in the recent years, the company's ability to effectively manage its working capital profile amid a rapidly growing scale of operations remains a key rating monitorable. ICRA also notes the susceptibility of BFIL's profit margins to adverse fluctuations in foreign exchange rates as the company derives more than 90% of revenues from export markets. BFIL's business operations also remain susceptible to the risk of shift towards electric vehicles to a large extent as a considerable portion of its revenue is derived from engine components (mainly crankshafts supplied to tractors and commercial vehicles). However, the company's efforts to diversify into new product segments such as empty artillery shells, turbine blades, locomotive wheels, etc. through its new facility in Karnataka can help mitigate the risk over the medium term. BFIL has significant investment plans in the near-to-medium term for new business verticals such as defence, aerospace, heavy engineering and industrial machinery, among others as a part of its strategy to diversify and reduce dependence on the existing line of products. The funding mix adopted by the company, and timely execution of the project along with profitable ramp-up in operations are critical to the company's growth and will be closely monitored, going forward.

ICRA notes the search operation conducted by the Income Tax (I-T) Department at some of BFIL's offices and manufacturing units between January 7, 2026 and January 13, 2026. Vide a stock exchange disclosure dated January 13, 2026, the company has clarified that its promoters and key managerial personnel have fully cooperated with the officials and provided all documents/clarifications/details sought by the officials, and that no incriminating documents were found or seized by the I-T Department during their operation. ICRA understands that the business operations and production of the company continued as usual and were not impacted due to the search. While BFIL has further stated that there has been no adverse impact on the financial position of the company due to the said search, ICRA will continue to monitor developments in this regard.

The Stable outlook on the long-term rating reflects ICRA's expectation that the revenue growth momentum demonstrated by BFIL in the recent past, aided by healthy volume off-take across segments, is likely to be maintained over the near-to-medium term. Further, the outlook underlines ICRA's expectation that the entity's incremental capex to further expand the capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Extensive experience of the management in the machined forgings industry – The promoters of BFIL have extensive experience of over three decades in the machined forgings industry. Established in 1989 as a proprietary firm, Balu India, it was converted into a listed public company in 2020. BFIL commenced its operations as a crankshaft supplier for farm equipment manufacturers and attained segmental diversification over the years. Such long established track record of operations has supported BFIL in building its reputed clientele across the globe over the years, while also enabling the company to acquire new clients across diversified segments.

Growing scale of operations, backed by increasing revenue share from diversified segments such as defence, commercial vehicles – With the company's consolidated revenues recording a robust CAGR of 60% between FY2021 and FY2025, BFIL has demonstrated a healthy scale-up of its operations over the years. A steady increase in the volume offtake for the agriculture segment (which has been the largest revenue contributor over the years) coupled with increasing revenue share from diversified segments such as defence, commercial vehicles, heavy engineering & industrial machinery, among others has supported the company's revenue expansion over the years. With this, BFIL registered a 65% revenue growth in FY2025 (34% in H1 FY2026). The company is expected to maintain its decent revenue growth momentum, going forward, supported by incremental revenue generation from segments such as aerospace and locomotive.

Comfortable profitability and healthy capital structure; equity infusion in the recent past has reduced reliance on external borrowings – Aided by the robust expansion of revenue base resulting in better operating leverage, along with its focus on high value-added products (such as heavy crankshafts across segments and artillery shells for defence segment), BFIL has recorded a healthy profit margin over the years. BFIL's operating profit margin (OPM) has continued to expand in the recent years and stood at 26.7% and 29.1% in FY2025 and H1 FY2026, respectively. BFIL's capital structure and net worth position have been supported by multiple rounds of equity infusion through issuance of equity shares and equity warrants in addition to its strong accruals. BFIL's dependence over external borrowings to meet its short-term and long-term funding requirements has remained under check. Its TD/OPBITDA and interest coverage have remained comfortable at 0.4 times and 22.5 times, respectively, in FY2025 (0.4 times and 24.8 times, respectively, in H1 FY2026).

Low customer concentration, supported by high geographical diversification – With marketing presence in over 80 countries and substantial revenue share through exports, BFIL demonstrates a high degree of geographical diversification. The company also exhibits low customer concentration, with its top five customers contributing around 37% to the standalone revenues in FY2025 (35% in H1 FY2026). With this, the company's business operations stand isolated from any geography or customer-specific slowdown risk to an extent.

Credit challenges

Working capital intensive nature of operations, characterised by elongated receivables cycle – BFIL’s operations remain working capital intensive on account of elongated receivables over the years. Presence of a few legacy customers (for which the credit period provided by BFIL remains over 180 days) and substantial revenue share from exports (which have higher credit period than domestic sales) have resulted in the said elongated receivables position, which stood at 158 days and 141 days as of March 2025 and September 2025, respectively. Consequently, BFIL’s working capital intensity remains high (41% in FY2025 and 44% in H1 FY2026). BFIL’s ability to efficiently manage its working capital profile amid an increasing scale of operations remains a key rating monitorable, going forward.

Significant capex undertaken in the recent past and lined up over the near term; funding mix for future capex along with timely and profitable ramp-up in operations remains critical – BFIL has undertaken sizeable capex (around Rs. 800 crore between FY2024 and H1 FY2026, at a consolidated level) mainly towards expanding its manufacturing capacities and setting up a greenfield facility, having forging and machining capabilities. The capex outlay is projected to remain sizeable at Rs. 200-300 crore per annum over the near term. In this context, funding mix for the capex lined up over the next 1-2 years, along with timely and profitable ramp-up in operations to justify the capex activities remain critical for BFIL’s credit profile, going forward.

Margins susceptible to fluctuation in raw material costs and foreign exchange rates – With steel and other alloys being its key raw materials, BFIL’s margins remain susceptible to extreme fluctuations in raw material costs, although presence of a price pass-on arrangement with key customers provides some comfort against the said risk. Given the sizeable (90%+) revenue share from exports, BFIL’s margins remain susceptible to adverse fluctuations in foreign exchange rates. However, imports provide natural hedging against export sales to an extent. The company also has in place a few standby forward limits, which could be used for additional hedging, if required.

Risk of shift towards electric vehicles as a major portion of revenues is derived from engine components; efforts to diversify into new product segments can help mitigate the risk over the medium term – As the major portion of its revenues is derived from a single product (i.e. crankshafts) at present, BFIL’s operations show high product concentration risk. Moreover, with segments like tractors and commercial vehicles contributing a sizeable chunk of its revenues, BFIL’s business profile remains exposed to the risk of shift towards e-vehicles in the automotive segment, which could result in these engine-components getting obsolete. However, the pace of shift towards electric vehicles has been slower for segments like tractors and commercial vehicles, providing some comfort against the said risk. Besides, efforts made by BFIL to diversify into new product segments through client addition from various segments such as defence, aerospace, locomotive, power generation, etc. are expected to mitigate the product concentration and electrification risks over the medium term.

Environmental and Social Risks

Environmental considerations: BFIL is not directly exposed to climate transition risks stemming from tightening emission control requirements, although the bulk of its products is used across various fuel powertrains. However, its automotive manufacturer customers remain highly exposed to the same. Accordingly, BFIL’s prospects remain linked to the ability of its customers and suppliers to meet the tightening emission requirements. The company may need to continue to invest materially to develop products to cater to electric vehicles (EVs), even as the transition towards the same in BFIL’s end-user segments is likely to be gradual.

Social considerations: BFIL, like most machined forging suppliers, has a healthy dependence on human capital. Retaining human capital and maintaining healthy relations with employees as well as the supplier ecosystem remain essential for disruption-free operations for the entity. BFIL has been undertaking initiatives to enhance employee safety, besides imparting training, technical knowledge upgradation, as well as quality initiatives towards improvement of their capacity and capabilities. BFIL also faces the risk related to product safety and quality, wherein instances of product recall and high warranty costs may result in financial implications and affect the entity’s reputation, creating a more long-lasting adverse impact. In this regard, BFIL’s experience in catering to leading automotive and non-automotive manufacturers globally underpins its ability to mitigate these risks to an extent.

Liquidity position: Adequate

BFIL's liquidity profile remains Adequate, with cash and liquid investments balance of Rs. 37.8 crore as on September 30, 2025. Cash flow from operations stood at over Rs. 150 crore in FY2025, with expectations that the same would remain at Rs. 120-140 crore per annum over the medium term. The company's accruals generation remains comfortable, at Rs. 200-220 crore per annum, which coupled with regular equity infusion (through issuance of equity shares as well as convertible warrants) is expected to meet the capital expenditure and working capital funding requirements over the near term. The company has in place working capital facilities and off-balance sheet bill discounting facilities, with overall sanctioned limits of Rs. 166 crore (enhanced from Rs. 91 crore from November 2025). The buffer from undrawn working capital lines stood at Rs. 53 crore as on November 30, 2025. While the average working capital utilisation remained high at 99% for the 12-month period ended in September 2025, the same moderated to 68% in November 2025, following the said enhancement in the sanctioned working capital facilities availed by the company. Moreover, with equity infusion worth Rs. 200 crore through warrant conversion expected in the near term, the company's dependence over external working capital borrowings is likely to remain limited over the near-to-medium term.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company can maintain its revenue growth momentum at a robust pace while maintaining its margin profile, and diversifies its products , resulting in an improved credit profile.

Negative factors – The ratings could be downgraded if sub-optimal revenue generation from the capacity addition undertaken impacts the profitability and/or return indicators, or if a deterioration in the margins adversely impacts the key credit metrics and results in TD/OPBITDA rising to more than 2.0 times, on a sustained basis. Moreover, any large debt-funded capex or a further stretch in the working capital cycle that weakens the liquidity profile may necessitate a negative rating action.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of BFIL

About the company

Established in 1989, Balu Forge Industries Limited (BFIL, erstwhile Balu India), is a manufacturer of crankshafts and other machined forgings with applications ranging across sectors such as agriculture (tractors and harvesters), heavy vehicles, commercial vehicles, marine and stationary engines (ranging from single cylinder to eight cylinders), locomotive, defence, aerospace, among others. The company has all three of its manufacturing units located at Belgaum (Karnataka) with an installed capacity to manufacture 1,000 crankshafts per day.

The company derives more than 90% of its business from overseas markets (through direct and deemed exports), while the rest is derived from domestic customers. It is run by the second and third generations of promoters, with Mr. Jaspalsingh Chandock overseeing the business operations as Chairman and Managing Director, with his sons, Mr. Trimaan Chandock and Mr. Jaikiran Chandock, being the Executive Directors of the company. BFIL's equity shares have been listed on the Bombay Stock Exchange as well as the National Stock Exchange.

Key financial indicators

BFIL (Consolidated)	FY2024	FY2025	H1 FY2026
Operating Income (Rs. crore)	559.9	923.6	532.7
PAT (Rs. crore)	93.5	203.9	122.1
OPBDIT/OI (%)	21.4%	26.7%	29.1%
PAT/OI (%)	16.7%	22.1%	22.9%
Total Outside Liabilities/Tangible Net Worth (times)	0.4	0.2	0.3
Total Debt/OPBDIT (times)	0.9	0.4	0.4
Interest Coverage (times)	8.8	22.5	24.8

Source: BFIL, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 9, 2026	Feb 3, 2026	FY2025		FY2024		FY2023	
					Date	Rating	Date	Rating	Date	Rating
Fund-based/ Non-fund Based Limits	Long term/ Short term	166.00	[ICRA]A-(Stable)/ [ICRA]A2+	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-	-	-	-
Fund-based - Term loans	Long term	38.03	[ICRA]A-(Stable)	-	-	-	-	-	-	-
Non-fund-based facilities	Short term	26.00	[ICRA]A2+	-	-	-	-	-	-	-
Fund-based/ Non-fund Based - Unallocated Limits	Long term/ Short term	0.97	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-	-	-	-	-

Source: Company

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/ Short-term – Fund-based/Non-fund-based Facilities	Simple
Long-term-Fund-based - Term loans	Simple
Short-term – Non-fund-based facilities	Simple
Long-term/ Short-term Fund-based/ Non-fund Based - Unallocated Limits	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-1: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund Based/Non-fund Based Facilities	NA	NA	NA	166.00	[ICRA]A-(Stable)/[ICRA]A2+
NA	Long-term-Fund-based - Term loans	Apr-2024	NA	Mar-2028	38.03	[ICRA]A- (Stable)
NA	Short-term – Non-fund-based facilities	NA	NA	NA	26.00	[ICRA]A2+
NA	Long-term/ Short-term Fund-based/ Non-fund Based - Unallocated Limits	NA	NA	NA	0.97	[ICRA]A-(Stable)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Company Name	BFIL Ownership (March 31, 2025)	Consolidation Approach
Safa Atomotive FZ - LLC	100.00%	Full Consolidation
Naya Energy Works Private Limited	100.00%	Full Consolidation
Balu Advanced Technologies & Systems Private Limited	100.00%	Full Consolidation

Source: BFIL

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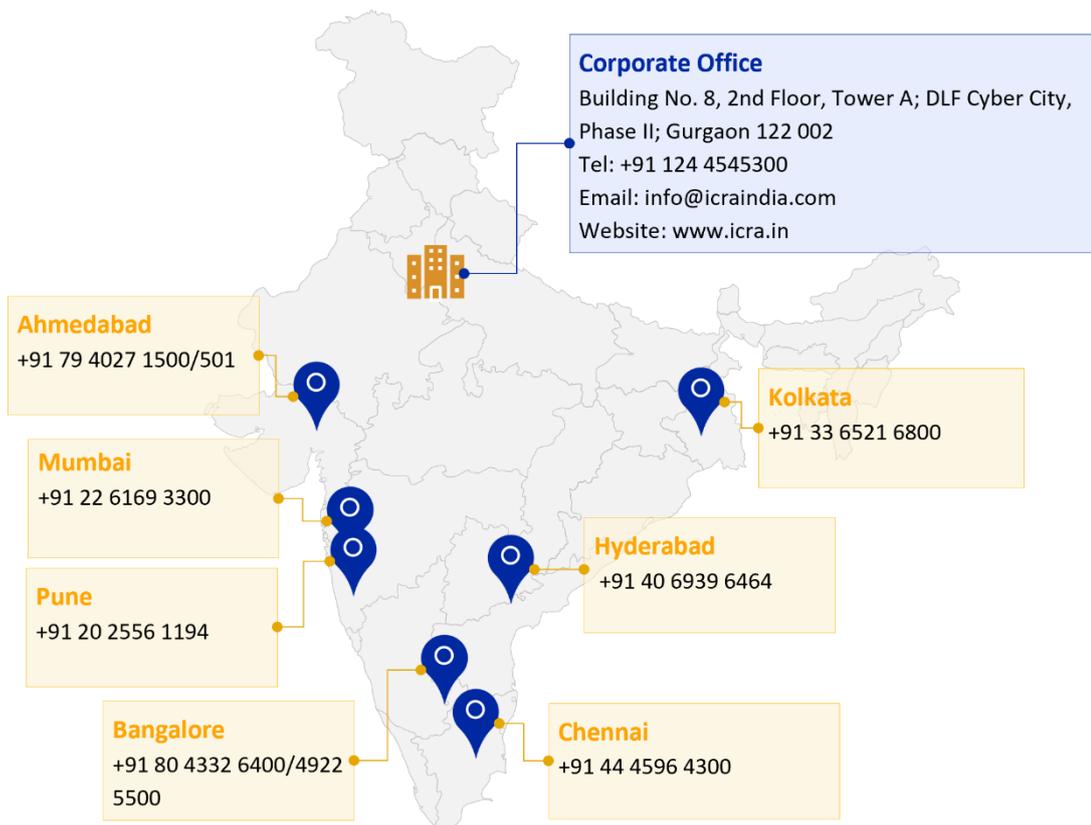
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