

March 05, 2026

Nelcast Limited: Ratings reaffirmed and Outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Term Loans	175.67	175.67	[ICRA]A(Positive); Reaffirmed; outlook revised to Positive from Stable
Long-term Fund-based Limits	280.00	315.00	[ICRA]A(Positive); Reaffirmed; outlook revised to Positive from Stable
Short-term Fund-based Limits	60.00	60.00	[ICRA]A1; Reaffirmed
Short-term Fund-based Sub-limits	(180.00)	(215.00)	[ICRA]A1; Reaffirmed
Short-term Non-fund Based Limits	25.00	25.00	[ICRA]A1; Reaffirmed
Proposed Long-term/Short-term Fund-based Limits	59.33	24.33	[ICRA]A(Positive)/[ICRA]A1; reaffirmed; outlook revised to Positive from Stable
Total	600.00	600.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in the outlook on the long-term rating on the bank lines of Nelcast Limited (Nelcast/the company) to Positive considers ICRA's expectation of a sustained improvement in the company's operating and financial risk profiles over the medium term, supported by its strong business profile and liquidity position. Nelcast is one of the larger players in the Indian ductile iron/grey castings market and has an established clientele comprising major original equipment manufacturers (OEMs) in India and reputed tier-I auto component suppliers in overseas markets. The company has a favourable mix of domestic and export customers, and its revenues are reasonably diversified across various segments and clients. Further, Nelcast enjoys a healthy wallet share with its customers for its key products and has a history of repeat orders and new business additions, supporting it in maintaining its strong business profile, going forward as well.

The company's operating income improved by 4.6% on a YoY basis to Rs. 967.3 crore in 9M FY2026, driven by growth in medium and heavy commercial vehicle (M&HCV) and tractor segments, despite a decline in exports. Its operating margins improved to 8.9% in 9M FY2026, largely stemming from operating leverage benefits and better value addition, however, profit margins and coverage indicators remain fairly moderate, though they are witnessing an improving trend. The company's capital structure remains comfortable with a net gearing of 0.4 times as on December 31, 2025. With no major debt-funded capex, going forward, ICRA expects the capital structure to remain conservative over the medium term.

Nelcast derived 39.6% of its revenues in 9M FY2026 from the domestic M&HCV segment, while 25.7% came from the domestic tractor segment and another 29.4% came from exports. This exposes the company to the inherent cyclicity in the commercial vehicle (CV) segment. Further, dependence on exports for 30-35% of revenues and concentration on the US market within that, exposes the company to region-specific risks. The impact of global

macro-economic developments, including tariffs and trade agreements on the company's business prospects, revenues and profitability will be closely monitored. Nevertheless, the company's healthy order book, supported by rising supplies to new platforms because of vendor diversification initiatives by global OEMs and scale-up of volumes from programmes where supplies have commenced in the last few quarters, and robust orders from new customers across geographies, are expected to mitigate the risk to a large extent, and are likely to support healthy medium-term revenue prospects. The expected ramp-up in these orders, and the resultant improvement in operational efficiencies, are also likely to support profitability and credit metrics over the medium term.

Key rating drivers and their description

Credit strengths

One of the larger players in the Indian ductile iron/grey castings market – Nelcast is one of the large players in the Indian ductile iron/grey castings market and manufactures several complex castings including axle housings, differential carriers, and bogie suspension brackets. The company enjoys established relationships with major M&HCV and tractor OEMs and has a healthy share of business for its key products. Its customers include major OEMs like Tata Motors Limited (TML), Tractors & Farm Equipment Limited (TAFE), Ashok Leyland Limited (ALL) and Daimler India Commercial Vehicles and tier-I players like Axles India Limited and Automotive Axles Limited in the domestic market and tier-I auto component suppliers like DANA Group, Detroit Diesel Corporation and Meritor, US, in the export segment. The company has a healthy share of business with its major customers along with a history of periodic repeat orders and new business additions.

Healthy domestic-export mix; diversified segment and client profiles – The company derives a sizeable portion of its revenues from exports (29.4% in 9M FY2026), which provides geographical diversification. Nelcast's exports decreased by 11.7% on a YoY basis to Rs. 280.3 crore in 9M FY2026, impacted by lower offtake from customers. However, the same is expected to improve, going forward, on the back of a healthy order book from existing and new customers, though the same is vulnerable to global macro-economic developments, including tariffs and trade agreements. The company caters to the M&HCV, tractors, off-highway, and railways segments in the domestic market. Segment diversification mitigates risks arising from a decline in a single segment to an extent. Nelcast also has a diversified client profile comprising several major OEMs/tier-I auto component suppliers in the domestic market and the export market. While the top customer contributed 17% to its revenues in 9M FY2026, the company has over 50 customers, which largely mitigates any concentration risks. Nelcast has also been increasing its export customer base periodically.

Conservative capital structure and strong liquidity – The company has a comfortable capital structure, reflected in a gearing of 0.5 times as on December 31, 2025, despite its debt-funded capex in the recent years. Further, Nelcast had unencumbered cash and bank balance of Rs. 68.3 crore and undrawn working capital lines of Rs. 148.6 crore as on December 31, 2025, against its sanctioned limits, supporting its liquidity position. With no major debt-funded capex going forward, ICRA expects the capital structure to remain conservative over the medium term.

Credit challenges

Moderate profit margins and debt coverage metrics – Nelcast's operating margins were moderate at 8.9% in 9M FY2026, up from 7.2% in 9M FY2024. The company incurred significant debt-funded capex in the last few years. Also, its business is working capital intensive, resulting in continued dependence on external borrowings to fund its growth. Its total debt stood at

Rs. 283.2 crore as on December 31, 2025. The debt levels and moderate profit margins together resulted in moderate debt coverage metrics. The company's Total Debt/OPBDITA stood at 2.5 times for 9M FY2026, while its NCA/Total Debt stood at 19.3% for the same period. ICRA expects Nelcast's coverage metrics to improve over the medium term, aided by anticipated increase in the operating margins from favourable product mix and operating leverage benefits as new orders ramp up, and in the absence of debt-funded capex plans over the medium term.

Exposed to cyclicalities in the domestic M&HCV segment; global macro-economic slowdown could limit export revenue growth – The domestic M&HCV segment drove 39.6% of Nelcast's overall sales in 9M FY2026. This exposes the company to the inherent cyclicalities in the CV segment (linked to economic cycles). Further, it derives a significant share of its revenues from exports (29.4% in 9M FY2026). Within exports, the concentration to the US market exposes it to region specific risks. Nevertheless, the company's healthy order book, supported by rising supplies to new platforms because of vendor diversification initiatives by global OEMs and scale-up of volumes from programmes where supplies have commenced in the last few quarters, are expected to mitigate these risks and support healthy medium-term revenue prospects. While the recent conclusion of the trade deal between India and Nelcast's key export markets are positives, any further duty/tariff related developments would continue to be closely monitored.

Environment and social risks

Environmental considerations – Nelcast, being an auto component supplier, remains indirectly exposed to climate-transition risks owing to its automotive OEM customers that manufacture products used across different fuel powertrains. Accordingly, Nelcast's prospects are linked to the ability of its customers to meet tightening emission requirements. The company remains exposed to strict environmental regulations regarding waste and pollution norms, which can lead to an increase in operating costs and new capacity instalment costs.

Social considerations – Social considerations for Nelcast relate primarily to maintaining healthy industrial relations and product safety. Attracting and nurturing skilled manpower are critical as it seeks to keep pace with innovation and technological changes. On the product front, vehicle recalls by OEMs because of defective auto parts could create additional cost burden and liabilities. The company is also exposed to changing consumer preferences, including but not restricted to increasing awareness of the potential environmental damage from emissions, shift towards electric vehicles (EVs), usage of sustainable materials and societal trends like preference for ride sharing. The company is also vulnerable to data security and data privacy risks. However, its ability to mitigate risks arising from human capital issues in the past, provides comfort.

Liquidity position: Strong

The company's liquidity position is strong, supported by its healthy cash balances, undrawn lines and anticipated healthy annual cash flow from operations of Rs. 50.0-60.0 crore, going forward. The company had unencumbered cash and bank balances of Rs. 68.3 crore and undrawn working capital lines of Rs. 148.6 crore against its sanctioned limits of Rs. 315.0 crore as on December 31, 2025. Against this, Nelcast has repayment obligations of Rs. 10.0 crore in Q4 FY2026, Rs. 31.7 crore in FY2027 and Rs. 27.7 crore in FY2028 on its existing term loans. Also, the capex plans are moderate at Rs. 20.0-25.0 crore in FY2027 and FY2028, primarily towards maintenance and are expected to be funded through internal accruals. Overall, ICRA expects the company to meet its medium-term commitments through internal sources of cash and yet be left with a cash surplus.

Rating sensitivities

Positive factors – The ratings would be upgraded if there is a sustained improvement in volumes and earnings resulting in improvement in profitability and credit metrics.

Negative factors – The outlook on the rating could be revised to stable in case of pressure on the credit metrics arising from lower profit margins and a longer working capital cycle impacting the liquidity profile. Any large debt-funded capital expenditure weakening the credit metrics will also trigger a negative rating action.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Auto Components Corporate Credit Rating Methodology
Parent/group Support	Not Applicable
Consolidation/standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Nelcast Limited. Details are provided in Annexure-II.

About the company

Nelcast is one of the larger players in the Indian ductile iron/grey castings market and manufactures several complex castings including axle housings, clutch housings and bogie suspension brackets. The company generated 29.4% revenues from exports, while 39.6% and 25.7% came from the domestic M&HCV and tractor segments, respectively, in 9M FY2026. The company also supplies its products to the off-highway and railways segments. Nelcast has an aggregate installed manufacturing capacity of 1,60,000 metric tonnes per annum (MTPA) across its three factories in Ponneri (Tamil Nadu), Gudur (Andhra Pradesh) and Pedapariya (Andhra Pradesh). The promoters held a 74.87% stake in the company, as on December 31, 2025.

Key financial indicators (audited)

Nelcast Limited (Consolidated)	FY2025 (Audited)	9M FY2026 (Provisional)
Operating income	1,263.4	967.3
PAT	37.3	33.2
OPBDIT/OI	8.0%	8.9%
PAT/OI	3.0%	3.4%
Total outside liabilities/Tangible net worth (times)	1.1	-
Total debt/OPBDIT (times)	3.3	2.5*
Interest coverage (times)	2.9	3.3

Amount in Rs. crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; total debt includes lease liabilities * Annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years								
			FY2025			FY2024			FY2023		
Instrument	Type	Amount Rated (Rs Crore)	Mar 05, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term Term Loans	Long term	175.67	[ICRA]A (Positive)	Sep 19, 2025	[ICRA]A (Stable)	Mar 27, 2025	[ICRA]A (Stable)	Mar 28, 2024	[ICRA]A (Stable)	Mar 22, 2023	[ICRA]A (Stable)
								Mar 14, 2024		Aug 03, 2022	
Long-term Fund-based Limits	Long term	315.00	[ICRA]A (Positive)	Sep 19, 2025	[ICRA]A (Stable)	Mar 27, 2025	[ICRA]A (Stable)	Mar 28, 2024	[ICRA]A (Stable)	Mar 22, 2023	[ICRA]A (Stable)
								Mar 14, 2024		Aug 03, 2022	
Short-term Fund-based Limits	Short term	60.00	[ICRA]A1	Sep 19, 2025	[ICRA]A1	Mar 27, 2025	[ICRA]A1	Mar 28, 2024	[ICRA]A1	Mar 22, 2023	[ICRA]A1
								Mar 14, 2024		Aug 03, 2022	
Short-term Fund-based Sub-limits	Short term	(215.00)	[ICRA]A1	Sep 19, 2025	[ICRA]A1	Mar 27, 2025	[ICRA]A1	Mar 28, 2024	[ICRA]A1	Mar 22, 2023	[ICRA]A1
								Mar 14, 2024		Aug 03, 2022	
Short-term Non-fund Based Limits	Short term	25.00	[ICRA]A1	Sep 19, 2025	[ICRA]A1	Mar 27, 2025	[ICRA]A1	Mar 28, 2024	[ICRA]A1	Mar 22, 2023	[ICRA]A1
								Mar 14, 2024		Aug 03, 2022	
Commercial Paper Programme (CP)										Mar 22, 2023	[ICRA]A1; Withdrawn
										Aug 03, 2022	[ICRA]A1

Proposed Long-term/Short-term Fund-based Limits	Long term and short term	24.33	[ICRA]A (Positive)/ [ICRA]A1	Sep 19, 2025	[ICRA]A (Stable)/ [ICRA]A1	Mar 27, 2025	[ICRA]A (Stable)/ [ICRA]A1	Mar 28, 2024	[ICRA]A (Stable)/ [ICRA]A1	2022	[ICRA]A (Stable)/ [ICRA]A1
								Mar 14, 2024		Mar 22, 2023	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Term Loans	Simple
Long-term Fund-based Limits	Simple
Short-term Fund-based Limits	Simple
Short-term Fund-based Sub-limits	Simple
Short-term Non-fund Based Limits	Simple
Proposed Long-term/Short-term Fund-based 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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	FY2018-FY2023	NA	FY2028-FY2029	175.67	[ICRA]A(Positive)
NA	Long-term Fund-based Limits	NA	NA	NA	315.00	[ICRA]A(Positive)
NA	Short-term Fund-based Limits	NA	NA	NA	60.00	[ICRA]A1
NA	Short-term Fund-based Sub-limits	NA	NA	NA	(215.00)	[ICRA]A1
NA	Short-term Non-fund Based Limits	NA	NA	NA	25.00	[ICRA]A1
NA	Proposed Long-term/Short-term Fund-based Limits	NA	NA	NA	24.33	[ICRA]A(Positive)/ [ICRA]A1

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership %	Consolidation Approach
Nelcast Limited	100.00% (rated entity)	Full consolidation
NC Energy Limited	100.00%	Full Consolidation

Source: Company

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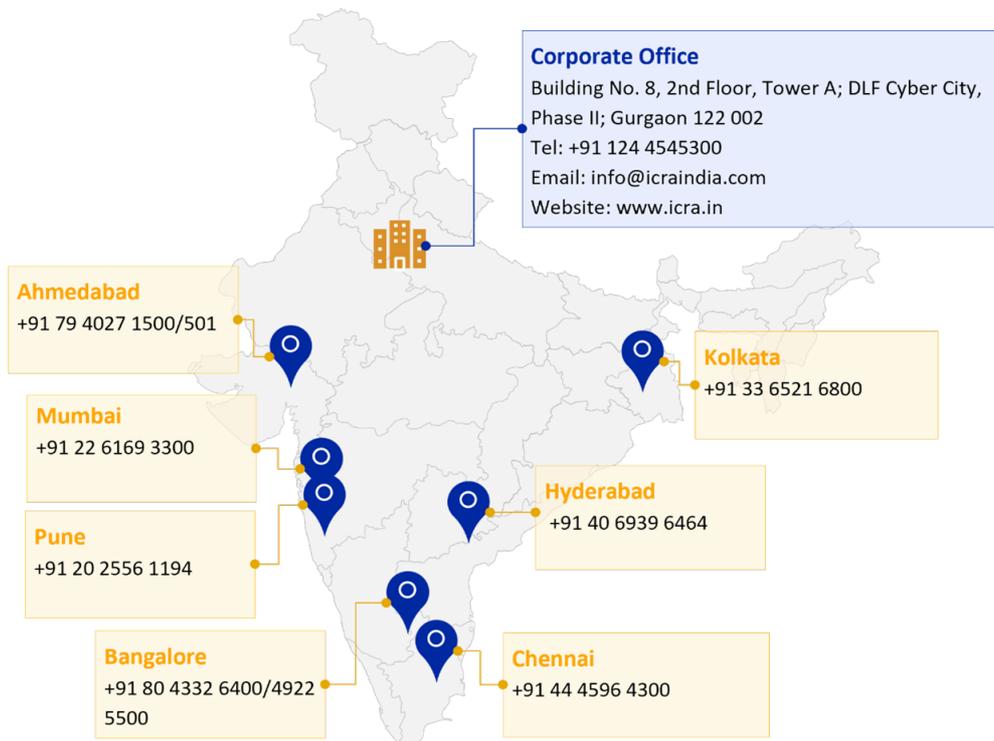


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