

April 13, 2026

## Bajaj Motors Limited: Rating reaffirmed and outlook revised to Negative from Stable; rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term Loan	45.74	25.01	[ICRA]A (Negative); reaffirmed and outlook revised to Negative from Stable
Long-term – Fund-based – Cash Credit	50.00	50.00	[ICRA]A (Negative); reaffirmed and outlook revised to Negative from Stable
Short-term – Non-fund based	22.50	22.50	[ICRA]A2+; reaffirmed
Long-term/ Short-term – Unallocated	31.76	62.49	[ICRA]A (Negative)/ [ICRA]A2+; reaffirmed and outlook revised to Negative from Stable; assigned for enhanced amount
<b>Total</b>	<b>150.00</b>	<b>160.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The revision in the outlook on Bajaj Motors Limited's (BML) long-term rating from Stable to Negative reflects the deterioration in its profitability and debt metrics on account of weaker-than-expected performance in 9M FY2026. BML's operating margin declined to 2.7% in 9M FY2026 from 7.2% in 9M FY2025, primarily due to increased cost inflation, elevated fixed costs on account of new production lines that are yet to fully ramp up and its inability to pass on the input cost inflation to its customers. Additionally, production disruption at Hero MotoCorp Limited (HMCL) during H1 FY2026 on account of supply chain issues at one of HMCL's vendors also impacted BML's financial performance.

The ratings continue to reflect BML's long-standing market position in the auto component industry, underpinned by an established and strong business relationship with HMCL, the largest two-wheeler original equipment manufacturers (OEMs) in India. Additionally, BML's ability to maintain its share of business with (OEMs) in the two-wheeler (2W), passenger vehicle (PV), and commercial vehicle (CV) segments, including Royal Enfield (RE), Honda Motorcycle and Scooter India (HMSI), HMCL, etc., provides comfort. The ratings also draw comfort from BML's continued progress on new business additions from existing clients like HMCL, HMSI, and RE, etc.

BML's revenue performance in 9M FY2026 was modest, with revenues growing at approximately 3.4% on a YoY basis. The subdued growth was largely on account of a weak H1 FY2026, wherein a supply chain issue at one of HMCL's vendors impacted HMCL's production volumes, resulting in an estimated revenue loss of Rs. 15-20 crore for BML. Export revenues also witnessed a YoY decline on account of US tariffs. Operating margins also contracted sharply during 9M FY2026, on account of sizeable increase in power costs following a revision in Haryana State Electricity Board's minimum demand charges, a rise in global carbide prices that pushed up tooling costs, and an increase in labour costs. While OEM pass-through arrangements cover raw material price changes on a contractual basis but do not extend to conversion cost increases, these cost pressures could not be passed on to customers. This led to a decline in BML's operating margin to 2.7% in 9M FY2026 over 7.2% in 9M FY2025. ICRA notes that BML reported improvement in OPM to around 7-8% in Q4 FY2026 supported by the demand uptick following the GST rate cut on 2Ws and a more favourable product mix, and it has formally initiated discussions with all OEM customers,

seeking a blended price increase of approximately 7-10% across products. As the timing and quantum of the receipt of these price increases remain uncertain, the same remains a key monitorable, going forward.

Owing to the contraction in operating margins, BML's debt metrics moderated during 9M FY2026 and are expected to remain slightly stretched in FY2026. BML's debt metrics deteriorated with TD/OPBITDA at 3.8 times as on December 31, 2025 from 1.7 times as on March 31, 2025 and DSCR to 0.7 times from 1.7 times during the same period. While the total debt as on December 31, 2025 remains largely similar to the March 31, 2025 level, the interest coverage declined to 3.3 times in 9M FY2026 from 7.2 times as on March 31, 2025, reflecting the contraction in operating profitability. BML's debt levels are expected to increase, going forward, due to the partially debt-funded capital expenditure (Rs. 25-30 crore in FY2026 and Rs. 50-55 crore in FY2027) being undertaken towards plant and machinery procurement for capacity expansion, maintenance and automation of its facility. ICRA notes that while BML's absolute debt levels are likely to increase in FY2027, its TD/OPBITDA is expected to improve gradually, going forward, owing to gradual improvement in operating profitability.

The ratings continue to be constrained by BML's significant revenue and customer concentration, with HMCL accounting for approximately 58% of revenues and the 2W segment contributing approximately 74% of revenues in 9M FY2026. While new customer additions and ramp-up of business from HMSI, Renault-Nissan, and Sintercom are expected to improve the customer profile, meaningful diversification will take place only gradually. The company also faces a medium-term business risk from the ongoing transition of the 2W industry towards electric vehicles (EVs), given that a significant share of BML's revenues is derived from engine components for ICE vehicles. ICRA notes that the company's investments in real estate properties, classified as capital advances of Rs. 53 crore towards three commercial properties continues to weigh on the overall return on capital employed. BML's foray into contract manufacturing of kitchen appliances, while modest in capital requirement, introduces a new business vertical and its scale-up trajectory as well as the overall impact on BML's margin profile will remain monitorable, going forward

## 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 up its business with customers like Harley Davidson, RE, TVS 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 into the business. As a result, the company had a low gearing of 0.2 times as on December 31, 2025, as per provisional results, thus, demonstrating a healthy capital structure. BML has plans to incur partially debt-funded capex towards purchase of new plant and machinery along with investment towards facility automation. While the debt-funded capex is expected to moderate the leverage and coverage metrics in the near term, gradual improvement in profitability along with high net worth is likely to result in a comfortable capital structure.

### Credit challenges

**Significant deterioration in financial performance in 9M FY2026** – ICRA notes that BML's operating margins declined to 2.7% in 9M FY2026 from 6.4% in FY2025 on account of input cost inflation in tooling, power, and labour costs. The company also witnessed fixed cost drag from sub optimal utilisation of its existing facilities and revenue loss owing to the aforementioned HMCL-related disruption. Subsequently, in 9M FY2026, BML's interest coverage ratio moderated to 3.3 times from 7.2 times in FY2025 and TD/OPBITDA deteriorated to 3.8 times as on December 31, 2025 from 1.7 times as on March 31, 2025. However, the company has witnessed an improvement in its Q4 FY2026 operating performance supported by volume growth after GST rate cuts and a favourable product mix. ICRA notes that with the addition of clients, new businesses from existing clients and benefits of operating leverage, the company's margins are estimated to recover in FY2027. BML's return metrics have also

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 minimal 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.

**Significant client and segment concentration with majority revenues being derived from 2W segment; expected to gradually improve with new customer acquisitions** – BML is exposed to high customer concentration risk as it derives more than 55% of its revenues through sales to HMCL. Further, more than 70% of its revenues 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** – 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 revenue trajectory from the same will remain a key monitorable.

### Liquidity position: Adequate

BML's liquidity is adequate, supported by moderate average utilisation (44%) of its working capital limits over the 12 months ending December 31, 2025, and cash and liquid investments of Rs. 2.15 crore as on December 31, 2025. BML has a buffer of Rs. 17.6 crore in its fund-based working capital limits as on December 31, 2025. BML is expected to incur a capex of Rs. 25-30 crore in FY2026 and Rs. 50-55 crore in FY2027, to be funded by internal accruals and fresh term loans. The company has scheduled annual debt repayments of Rs. 17.9 crore in FY2026, Rs. 9.7 crore in FY2027 and Rs. 14.2 crore in FY2028 (including repayment of proposed term loan).

### Rating sensitivities

**Positive factors** – ICRA could revise the rating outlook to Stable if there is a significant improvement in the company's earnings following receipt of price increases from its customers, resulting in an improvement in debt coverage indicators and the overall liquidity profile. A substantial improvement in business risk profile through material customer and segment diversification accompanied by improvement in profitability metrics will be a key factor for a rating upgrade.

**Negative factors** – A negative rating action could be triggered in case of further deterioration in profitability or if higher-than-expected debt-funded capital expenditure or deterioration in the company's working capital cycle leading to weakening of 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	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Auto Components</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

### About the company

Bajaj Motors Limited is a manufacturer of forging and casting-based auto components, primarily engine and chassis parts, for two-wheelers, four-wheelers, tractors and commercial vehicles. 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 HMCL,

HMSI, RE, Renault-Nissan, Harley Davidson (exports) and Tata Motors Limited, among others. Nearly 72-75% of the company's revenues are generated from the 2W segment, followed by PV at 10-12% 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 a manufacturing facility at Gurgaon, Haryana. 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 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)

Consolidated	FY2024	FY2025	9M FY2026*
<b>Operating income</b>	679.1	680.5	532.6
<b>PAT</b>	15.3	11.4	-9.4
<b>OPBDIT/OI</b>	6.7%	6.4%	2.7%
<b>PAT/OI</b>	2.3%	1.7%	-1.8%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.5	0.5	0.6
<b>Total debt/OPBDIT (times)</b>	1.8	1.7	3.8
<b>Interest coverage (times)</b>	6.4	7.2	3.3

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

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
	Type	Amount Rated (Rs Crore)	Apr 13, 2026	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	25.01	[ICRA]A (Negative)	-	-	28-Mar-2025	[ICRA]A (Stable)	05-Apr-2023	[ICRA]A (Stable)
				-	-			28-Mar-2024	[ICRA]A (Stable)
Long term / short term-unallocated	Long Term/Short Term	62.49	[ICRA]A (Negative)/ [ICRA]A2+	-	-	28-Mar-2025	[ICRA]A (Stable)/ [ICRA]A2+	05-Apr-2023	[ICRA]A (Stable)/ [ICRA]A2+
				-	-			28-Mar-2024	[ICRA]A (Stable)/ [ICRA]A2+
Long term-cash credit-fund based	Long Term	50.00	[ICRA]A (Negative)	-	-	28-Mar-2025	[ICRA]A (Stable)	05-Apr-2023	[ICRA]A (Stable)
				-	-			28-Mar-2024	[ICRA]A (Stable)
Short term-others-non fund based	Short Term	22.50	[ICRA]A2+	-	-	28-Mar-2025	[ICRA]A2+	05-Apr-2023	[ICRA]A2+
				-	-			28-Mar-2024	[ICRA]A2+

#### Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI

12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(\*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

**Disclosure:** SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

## 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	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 II: 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	25.01	[ICRA]A(Negative)
NA	Fund-based cash credit facilities	NA	NA	NA	50.00	[ICRA]A(Negative)
NA	Non-fund-based limits	NA	NA	NA	22.50	[ICRA]A2+
NA	Long-term/Short-term unallocated	NA	NA	NA	62.49	[ICRA]A(Negative)/[ICRA]A2+

Source: Company data, ICRA Research

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

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

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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