

October 01, 2026

Shanthi Gears Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator [#]
Short-term fund-based – Overdraft	0.01	0.01	[ICRA]A1+; reaffirmed	RBI
Long-term non-fund based	28.99	38.99	[ICRA]AA (Stable); reaffirmed	RBI
Long-term – Interchangeable	(38.99)	(28.99)	[ICRA]AA (Stable); reaffirmed	RBI
Short-term fund-based	10.00	-	-	RBI
Total	39.00	39.00		

*Instrument details are provided in Annexure I

[#]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.

Rationale

The ratings reaffirmation for the bank lines of Shanthi Gears Limited (SGL) factors in its established business profile as a leading manufacturer of industrial gears in India, and ICRA's expectations of a sustained financial performance in the near-to-medium term, supported by its established presence, diversified revenue base and healthy order book position. Further, the company benefits from its strong parentage as a subsidiary of Tube Investments of India Limited (TIIL; rated [ICRA]AA+ (Stable)/[ICRA]A1+) and as a part of the larger Murugappa Group. SGL has a robust financial profile, marked by healthy profitability, external debt-free status and strong liquidity. While it does not require financial support from its parent (TIIL), SGL benefits from implicit financial and operational support from its parentage. With no major debt-funded capex plans in the medium term, ICRA expects the company's debt coverage metrics and liquidity to remain strong going forward as well.

The ratings, however, remain constrained by SGL's moderate scale of operations. The company's operating income (OI) declined by 14% on a YoY basis in FY2026 and Q1 FY2027, due to deferment of orders and capex by customers, largely on account of uncertainties in the macroeconomic environment with the US tariffs and the West Asia conflict. However, the company's healthy order book position (orders outstanding of Rs. 378 crore as on June 30, 2026) provides visibility regarding recovery over the near term. The ratings also factor in the close linkages to capex cycles, which exposes its revenues to cyclicalities in end-user industries. However, considerable share of revenues from the replacement segment (around 50%) and presence across multiple end-user segments mitigate the risk to an extent. ICRA also notes that the company's earnings remain exposed to volatility in raw material prices and competitive pressure. Its operating margins were 13.1% in Q1 FY2027 and 20.6% in FY2026 (against 22.6% in Q1 FY2026 and 21.5% in FY2025), impacted to an extent by operating deleverage and input cost inflation. However, it is expected to gradually recover, with better absorption of costs as revenues scale up, along with periodic cost-optimisation measures, going forward.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company will be able to maintain its credit profile, supported by its established presence in the domestic industrial gears segment, strong balance sheet and absence of debt-funded capex plans, going forward.

Key rating drivers and their description

Credit strengths

Benefits arising from strong parentage – TIIL, the flagship company of the Murugappa Group, holds a 73.16% stake in SGL as on August 31, 2026 (increased its stake to 73.16% from 70.46% in August 2026). Ever since TIIL's acquisition of SGL in FY2013, the company has benefitted from the strong management support and operational synergies as a subsidiary of TIIL. While SGL currently does not require financial support from its parent (TIIL) on account of its healthy financial profile and liquidity, however it enjoys implicit financial and operational support from TIIL.

Established presence in industrial gears; diversified clientele and end-user sectors support revenue stability – SGL has extensive presence in the industrial gears segment for five decades and caters to a reputed clientele from diversified sectors such as general engineering, steel, lifts, railways, cement and power, among others. ICRA notes that no segment contributed to more than 35% of its revenues in FY2026. Moreover, SGL has a diversified client base with its top 10 customers accounting for less than one-third of its revenues in FY2026, insulating its revenues from customer concentration risk.

Strong financial profile – SGL has remained debt free since FY2013, aided by healthy net cash accruals of more than Rs. 45 crore annually and moderate capex. Consequently, the company has a strong capital structure and coverage metrics. Additionally, the company has a strong liquidity profile with sizeable liquid investments of Rs. 155.9 crore as on March 31, 2026. With no major debt-funded capex plans in the medium term, SGL's capital structure and debt coverage metrics are expected to remain strong, going forward as well.

Healthy order book – SGL's pending order book position stood at over Rs. 378.0 crore as on June 30, 2026, supported by demand from both the original equipment manufacturers (OEM) and replacement segments. The healthy order book provides revenue visibility for the next few quarters.

Credit challenges

Moderate scale of operations – The company's operating income (OI) stood at Rs. 521.9 crore in FY2026 and Rs. 115.5 crore in Q1 FY2027, which declined by 14% on a YoY basis in both periods. The decline was due to deferment of orders by customers, largely on account of uncertainties in the macroeconomic environment with the US tariffs and the West Asia conflict. However, the company's current healthy order book position provides visibility regarding recovery over the near term. Nevertheless, the scale of operations remains moderate, limiting benefits of economies of scale.

Close linkage to capex cycle exposes revenues to cyclicalities in end-user industries – SGL's income is exposed to the domestic capex cycles, and any economic slowdown could impact its revenues, as witnessed in the past. However, considerable share of revenues from the replacement segment and presence across multiple industry segments, with no segment generating more than 35% of its revenues in FY2026, mitigate the risk to an extent.

Margins susceptible to fluctuations in raw material prices – SGL's major raw materials include alloy steel and other steel components. The company's margins are susceptible to fluctuations in raw material prices, given its limited pricing flexibility for contracted orders. Nonetheless, SGL's ability to pass through the increase in raw material prices in new orders and advance procurement of raw materials for confirmed orders mitigate the risk to an extent.

Environmental and social risks

Environmental considerations – The entity remains exposed to changing demand trends in end-user industries catered to, on account of climate transition risks and changing norms related to such developments. Besides, the company remains exposed to any tightening of environmental regulations, which can result in an increase in operating costs. Nevertheless, presence across multiple end-user industries, and in the replacement segment mitigate such risks to some extent.

Social considerations – Social considerations for SGL relate primarily to maintaining healthy industrial relations and occupational safety. Attracting and nurturing skilled manpower are critical as the company seeks to keep pace with innovation and technological changes. However, its ability to mitigate risks arising from human capital issues in the past, provides comfort.

Liquidity position: Strong

SGL's liquidity position remains Strong, supported by cash flows from operations of Rs. 65-70 crore per annum, unencumbered cash and liquid investments of Rs. 155.9 crore and non-current investments of Rs. 10.2 crore in tax-free bonds as on March 31, 2026. In relation to these sources of cash, SGL has moderate capex plans of Rs. 100 crore in FY2027, to be funded by internal accruals. The company has remained external debt free, and the fund-based working capital utilisation has been nil over the last 10 years, and this is expected to continue over the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade SGL's ratings, if it demonstrates a sustained and significant growth in its scale of operations and earnings, with meaningful scale-up in export geographical presence and market share, while sustaining its healthy debt protection metrics and liquidity profile.

Negative factors – Pressure on the company's ratings could arise, if it witnesses a sharp deterioration in its earnings or a significant rise in debt on a sustained basis, or weakening in the parent's credit profile or SGL's operational/financial linkages with the parent, TIIL.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	TIIL (rated [ICRA]AA+ (Stable)/[ICRA]A1+) holds a 73.16% stake in SGL. TIIL is expected to extend timely and adequate financial support to SGL, if required.
Consolidation/Standalone	The ratings are based on the standalone profile of the company.

About the company

SGL manufactures standard and customised gears and caters to a reputed clientele from diversified sectors such as general engineering, steel, cement, railways, power and material handling, among others. Its product portfolio encompasses a range of customised gear boxes, loose gears, worm gear boxes and helical gear boxes. It has manufacturing facilities (including a foundry) in and around Coimbatore, Tamil Nadu.

The company was founded in 1969 by Mr. P Subramanian, a first-generation entrepreneur from Coimbatore. In 2012, the Murugappa Group's Tube Investments of India Limited acquired the promoter's entire 44.12% stake in SGL. Subsequently, TIIL increased its stake in the company to 70.12% by tendering an open offer in 2012. In April 2019, the company bought back shares, increasing TIIL's shareholding to 70.46%. In August 2026, TIIL further increased its stake to 73.16%. SGL is currently a subsidiary of TIIL, with minority shareholding by public and financial institutions.

Key financial indicators (audited)

Shanthi Gears Limited (Standalone)	FY2025	FY2026
Operating income	605.4	521.9
PAT	96.0	76.7
OPBDIT/OI	21.5%	20.6%
PAT/OI	15.9%	14.7%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	295.3	298.4

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
	Type	Amount Rated (Rs Crore)	October 01, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash credit	Long-term	-	-	-	-	October 03, 2024	[ICRA]AA (Stable)	October 05, 2023	[ICRA]AA (Stable)
								July 24, 2023	[ICRA]AA (Stable)
Fund based – Overdraft	Short-term	0.01	[ICRA]A1+	September 16, 2025	[ICRA]A1+	-	-		
Others – interchangeable	Long-term	(28.99)	[ICRA]AA (Stable)	September 16, 2025	[ICRA]AA (Stable)	October 18, 2024	[ICRA]AA (Stable)	-	-
						October 03, 2024	[ICRA]AA (Stable)		
Others – interchangeable	Short-term	-	-	-	-	October 18, 2024	[ICRA]A1+	October 05, 2023	[ICRA]A1+
						October 03, 2024	[ICRA]A1+	July 24, 2023	[ICRA]A1+
Non-fund based – Others	Long-term	38.99	[ICRA]AA (Stable)	September 16, 2025	[ICRA]AA (Stable)	October 18, 2024	[ICRA]AA (Stable)	October 05, 2023	[ICRA]AA (Stable)
						October 03, 2024	[ICRA]AA (Stable)	July 24, 2023	[ICRA]AA (Stable)

Fund based – Others	Short-term	-	-	September 16, 2025	[ICRA]A1+	October 18, 2024	[ICRA]A1+	October 05, 2023	[ICRA]A1+
						October 03, 2024	[ICRA]A1+	July 24, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term Fund-based – Overdraft	Simple
Long-term non-fund based	Simple
Long-term interchangeable	Simple

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	Financial sector regulator#
NA	Overdraft	NA	NA	NA	0.01	[ICRA]A1+	RBI
NA	Long-term non fund-based limits	NA	NA	NA	38.99	[ICRA]AA(Stable)	RBI
NA	Long-term interchangeable	NA	NA	NA	(28.99)	[ICRA]AA(Stable)	RBI
NA	Short-term fund based	NA	NA	NA	-	-	RBI

Source: Company

#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.

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

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

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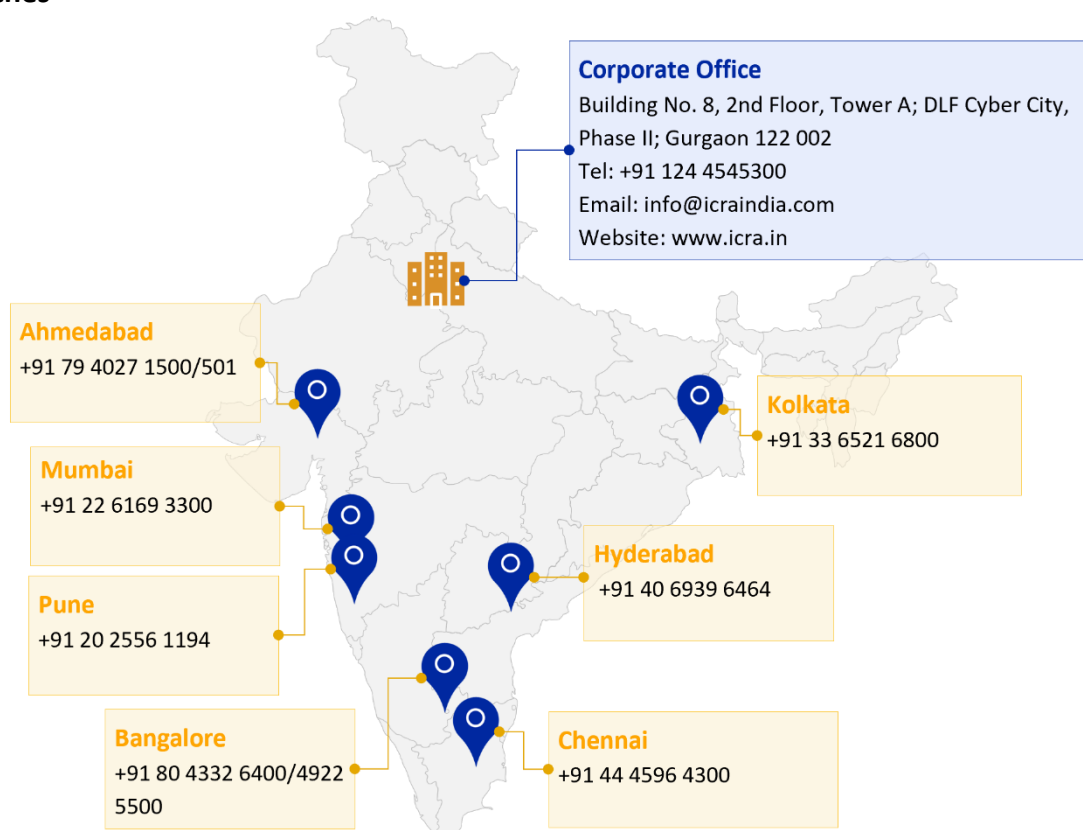
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