

## GNA Gears Limited

Instrument	Amount	Rating Action
	Rs. Crore	December 2016
Term Loans	45.24	[ICRA]BBB- (stable) assigned
Cash Credit Facilities	70.00	[ICRA]BBB- (stable) assigned
Unallocated Limits	4.76	[ICRA]BBB- (stable) assigned
<b>Total</b>	<b>120.00</b>	

ICRA has assigned a long term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus) for the Rs. 120.0 Crore bank facilities of GNA Gears Limited. The outlook on the long-term rating is “stable”<sup>†</sup>.

The rating assigned takes into consideration the company’s established relationships and healthy share of business for supplies to various Original Equipment manufacturers in the tractor and commercial vehicle industry. The company is a leading supplier of gears to the domestic tractor industry, with supplies to a majority of the leading tractor OEMs; a revival in demand in the tractor industry would aid moderate growth in revenues of GNAGL going forward. The rating assigned also factors in favourably the long experience of the promoters in auto ancillary business; the company is a part of GNA group, which has multiple companies operating in the auto ancillary business.

The rating of company, however, remains constrained by its weak financial risk profile, characterized by high gearing and moderate debt coverage indicators. Its liquidity profile remains stretched, with high inventory stocking on account of integrated operation of company translating in high working capital requirements. Even as the company’s healthy share of business with various OEMs mitigates segment concentration to an extent, it remains exposed to downturn in demand in the tractor and commercial vehicle segments, which remain inherently cyclical in nature.

Going forward, the company’s ability to maintain its healthy share of business with various OEMs, coupled with its ability to manage and reduce its working capital intensity would remain key rating sensitivities.

### Company Profile

GNA Gears Limited (GNAGL) is a part of GNA Group, which has various companies operating in the auto ancillary business. The company is owned by Mr. Gursaran Singh and family who also hold a 35% stake in GNA Axles limited (Flagship Company of GNA Group). GNAGL primarily manufactures automotive gears, which have application in diversified segments like Tractors, Commercial Vehicles, Construction equipment and Farm Implements. Apart from gears, the company also manufactures axles and shafts for the domestic commercial vehicle replacement market.

The company’s manufacturing facility is located in Mehtiana, Punjab and it is equipped with infrastructure capable of undertaking dry cutting, forging, heat treatment and machining operations.

### Recent Results

In H1 FY2017 (provisional financials), GNAGL reported operating revenues of Rs. 114.8 Crore and Operating Profit before Depreciation, Interest and Tax (OPBDIT) of Rs. 16.9 Crore.

**December 2016**

<sup>†</sup> For detailed rating scales and definitions refer the ICRA website [www.icra.in](http://www.icra.in) or other ICRA publications



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