

June 30, 2025

## Bharat Seats Limited: Long-term rating upgraded to [ICRA]A (Stable); short-term rating upgraded to [ICRA]A1

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	76.89	69.12	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Long-term– Fund-based working capital	35.20	35.20	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Short-term – Non-fund based working capital	30.00	30.00	[ICRA]A1; upgraded from [ICRA]A2+
<b>Total</b>	<b>142.09</b>	<b>134.32</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings upgrade for Bharat Seats Limited (BSL) factors in the continuation of the entity's steady operational performance, which is likely to help it increase the scale of operations and generate healthy cash flows on a sustained basis over the near-to-medium term, resulting in an improvement in its credit profile. BSL's top line rose sharply to Rs. 1,288.8 crore in FY2025 (a YoY growth of 21%) with an operating profit margin of 5.9% (5.7% in FY2024). The company's growth prospects are expected to remain supported by steady demand in the passenger vehicle (PV) industry and new business gains, while maintaining moderate profitability. It has gained new business from Suzuki Motorcycle India Private Limited (SMIPL) for two-wheeler (2W) wheel assembly, production for which commenced in January 2025. It has also received fresh orders from Maruti Suzuki India Ltd. (MSIL) for seats for two of its models with SOPs in FY2026 and FY2027. The ratings upgrade also factors in an improvement in the company's financial risk profile, with BSL having a TD/OPBITDA of 2.0 times as of March 31, 2025 (2.6 times as of March 31, 2024) and an interest coverage ratio of 8.5 times in FY2025 (7.9 times in FY2024). Aided by an increase in the scale of operations and scheduled debt repayment, its credit metrics are expected to continue to improve, going forward.

The ratings continue to consider BSL's established position as the sole seat supplier to several key models of MSIL, along with its favourable ownership structure with Suzuki Motor Company (SMC) and MSIL holding a combined equity stake of 29.6%. The company has technical collaborations with Toyo Seats Co. Ltd., Japan, for seats, and with Hayashi Telempu, Thailand, for its carpets. This has helped it adapt to the original equipment manufacturers' (OEM) technological requirements. The company is also the sole supplier of 2W seats to SMIPL. Besides, BSL started operations at its new plant in MSIL supplier park in Kharkhoda in May 2025, which was set up at an outlay of ~Rs.70 crore. The company plans to incur capex of ~Rs. 50 crore in FY2026 towards upgrading its existing facility (~Rs. 20 crore) and the remaining towards growth, automation and research and development (R&D) activities. The financial risk profile is expected to remain supported by the absence of sizeable debt-funded capex plans and improving accrual generation in the near term.

ICRA notes that the ratings continue to be constrained by the company's high dependence on the domestic market and MSIL, given that more than 85% of its revenues are linked to the OEM's performance. The same is mitigated to an extent by the company's healthy SOB with MSIL, along with the leadership position of MSIL in the PV segment.

Following the income tax search operations conducted earlier at the company's premises in May 2023, the company received demand orders amounting to Rs. 22.4 crore (excluding penalties) for the assessment years 2014-15 to 2024-25, along with a penalty demand order of Rs. 5.24 crore for the assessment year 2022-23. As per discussions with the management, the company has appealed against the said demand orders and estimates the actual amount (in case it materialises) to be materially lower. There has been no outgo by the company so far, and developments in this regard will be monitored. Further,

BSL received a demand notice from the Directorate General of GST Intelligence, on account of misclassification of goods (2W seats) under wrong HSN. Accordingly, the company paid Rs. 30-35 crore in FY2024 for the period November 2017 to March 2024. However, the said amount was fully compensated by the customer SMIPL, and the company did not pay through its accruals.

The Stable outlook reflects ICRA's opinion that the entity's credit metrics are expected to improve over the near-to-medium term, backed by an increase in accruals and scheduled debt repayments.

## Key rating drivers and their description

### Credit strengths

**Established relationship with MSIL** – BSL has an established relationship with MSIL and is one of the two suppliers of car seat sets for the OEM. The company currently caters to around one-third of the seat sets requirement for the OEM. BSL registered a YoY growth of 10.5% and 13.8% in FY2024 and FY2025, respectively, for seat volumes sold to MSIL and the seats revenues grew steadily at 10.9% and 14.4% in FY2024 and FY2025, respectively. The company has recently won business for two new models of MSIL – front seats for YY8 and complete seats for YMC. It has already started supplying for YY8 from May 2025 and the SOP for YMC is September 2025. With the new awards, the company expects the share of business (SOB) with MSIL to increase over the next 2-3 years. Moreover, the company manufactures carpet sets for some of the models of MSIL, even as the vertical forms a small share of its overall revenues (4% in FY2025). ICRA expects BSL to continue to maintain a healthy SOB with MSIL and remain a critical supplier for the OEM.

**Favourable ownership with MSIL and SMC owning stakes in BSL; benefits of technical collaboration** – BSL has been promoted by the Relan family and its key OEMs, MSIL and SMC. Both OEMs have a combined stake of 29.6% in BSL. Moreover, it has technical collaborations with foreign players such as Hayashi Telempu (Thailand) for its carpets, Toyo Seats Co. Ltd. (Japan) for seats and INOAC Corporation (Japan) for roof moulding and windshield components. This has aided BSL's in-house product development capabilities and helped in maintaining healthy orders from MSIL over the years.

**Sole supplier of 2W seats to SMIPL** – BSL remains the sole supplier of 2W seats for the majority of the models of Suzuki motorcycle. The seat sets supplies to SMIPL accounted for 4.8% of the top line in FY2025. The company has also received fresh business for the 2W wheel assembly from SMIPL. The assembly line was set up at its Bhorakalan plant with a capex of Rs. 8-10 crore in FY2025. The production started in January 2025 and the Q4 FY2025 revenues stood at Rs. 55 crore (4.3% of revenues), though it is a low-profit business. The combined sales from SMIPL remains low at present, however, as this share increases, it is likely to provide greater diversification benefits to BSL over the medium term.

**Healthy financial risk profile** – The financial risk profile remains strong, backed by healthy leverage and coverage metrics with TD/OPBITDA of 2.0 times in FY2025 (2.6 times in FY2024) and TD/TNW of 0.8 times as of March 31, 2025 (1.0 times as of March 31, 2024). The interest coverage ratio also improved to 8.5 times in FY2025 from 7.9 times in FY2024. Aided by an increase in scale of operations and scheduled debt repayment, its credit metrics are expected to continue to improve in the near term.

### Credit challenges

**High client concentration risk with more than 85% of revenues generated by MSIL** – MSIL and SMG together accounted for more than 85-90% of BSL's revenue in FY2025. This exposes the company to high customer concentration risk with its revenue prospects primarily linked to MSIL's volumes. However, the same is partially mitigated by the company's healthy SOB with MSIL and the OEM's stake in the company. Additionally, the leadership position of MSIL in the PV segment helps in mitigating the risk to an extent.

**Susceptible to inherent cyclicality in auto industry** – BSL caters to the automotive industry, which is highly sensitive to economic cycles. Automotive OEMs were adversely hit in FY2020 owing to a drop in consumer spending, in FY2021 because of Covid-19-resulted disruption and further in FY2022 due to semiconductor chip shortage. Hence, the performance of the company remains vulnerable to the performance of the PV industry and economic downturns.

## ESG Considerations

**Environmental considerations:** Though BSL is not directly exposed to climate-transition risks from the likelihood of tightening emission control requirements, its automotive manufacturing customers remain highly exposed to the same. Accordingly, BSL’s prospects are linked to the ability of its customers (MSIL and SMIPL) to meet tightening emission requirements. The company has been taking steps to reduce its carbon footprint by enhancing its reliance on renewable sources and various energy saving efforts, such as implementing energy saving techniques on the shop floor. The company also manages effective handling of waste. BSL’s exposure to litigation/ penalties from issues related to waste and water management remains low.

**Social considerations:** BSL, like most automotive component suppliers, has a healthy dependence on human capital. Retaining human capital, maintaining healthy relationship with employees and supplier ecosystem remains essential for its disruption free operations. BSL’s annual reports indicate that the entity has been taking initiatives to support its vendors in upgrading their operations, skills, quality, and technology. The company has also implemented monthly, zone-wise safety audit systems for the safety of its employees and to ensure zero accident cases. Another social risk that BSL faces pertains to product safety and quality, wherein instances of product recalls and high-warranty costs may lead to a financial implication and could affect the reputation and create a more long-lasting adverse impact. In this regard, BSL’s strong track record of catering to leading automotive OEMs underscore its ability to mitigate these risks to an extent. Moreover, the company’s strong technological capabilities are likely to help it align its products with any change in customer preferences.

### Liquidity position: Adequate

BSL’s liquidity profile is adequate, supported by healthy cash accruals in FY2026 and average working capital utilisation of ~47% in FY2025, out of the sanctioned limit of Rs. 35.2 crore. The liquidity is further supported by advances of Rs. 40-45 crore from SMIPL in Q1 FY2026. It is expected to have debt repayment obligations of Rs. 12.7 crore in FY2026 as per the original repayment schedule for existing loans. It has fully repaid the outstanding debt of Rs. 17 crore to NDR Auto (Group company) in April 2025. The company plans to incur capex of ~Rs. 50 crore in FY2026 towards upgrading its existing facility, growth, and R&D activities. The same are expected to be incurred largely through internal accruals. BSL continues to enjoy healthy financial flexibility for being a part of the Rohit Relan Group.

### Rating sensitivities

**Positive factors** – A sustained improvement in BSL’s share of business with MSIL or diversification of its clientele through new business awards could result in a positive rating action. Specific credit metrics that could lead to ratings upgrade include Total Debt to OPBDITA of less than 1.7 times on a sustained basis.

**Negative factors** – A decline in the share of business with MSIL or weakness in demand in the PV industry, resulting in reduced scale of operations and weak cash accruals for BSL, consequently impacting its return and credit metrics, could result in a negative rating action.

### 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	For arriving at the ratings, ICRA has considered the standalone financials of BSL.

## About the company

BSL is promoted by Mr. Rohit Relan and family. Following a family restructuring of the Relan Group, BSL's shareholding now resides with Mr. Rohit Relan and family.

The company is one of the two suppliers of car seats to MSIL. The company manufactures car seats and moulded floor carpets for MSIL and 2W seats for SMIPL. The company's manufacturing facilities are at Gurgaon, Manesar and Borakalan in Haryana, and at Surendra Nagar and Hansalpur in Gujarat. In FY2025, the company derived 80% of its revenues from its car seat assembly division, ~5% from the motorcycle seat division and the rest from other divisions such as carpet sets, extrusion components for vehicle roofs, and 2W wheel assembly. The company's revenue is generated entirely from the domestic market.

### Key financial indicators (audited)

BSL standalone	FY2024	FY2025
Operating income	1,066.8	1,288.8
PAT	25.1	32.7
OPBDIT/OI	5.7%	5.9%
PAT/OI	2.3%	2.5%
Total outside liabilities/Tangible net worth (times)	2.0	2.3
Total debt/OPBDIT (times)	2.6	2.0
Interest coverage (times)	7.9	8.5

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 (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount Rated (Rs Crore)	June 30, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-working capital	Long-term	35.20	[ICRA]A (Stable)	Apr 23, 2024	[ICRA]A- (Stable)	May 20, 2023	[ICRA]A- (Stable)	Jan 05, 2023	[ICRA]A- (Stable)
Fund Based-Term Loans	Long-term	69.12	[ICRA]A (Stable)	Apr 23, 2024	[ICRA]A- (Stable)	May 20, 2023	[ICRA]A- (Stable)	Jan 05, 2023	[ICRA]A- (Stable)
Non-Fund Based working capital	Short term	30.00	[ICRA]A1	Apr 23, 2024	[ICRA]A2+	May 20, 2023	[ICRA]A2+	Jan 05, 2023	[ICRA]A2+
Unallocated	Long-term/short term					May 20, 2023	[ICRA]A- (Stable)/ [ICRA] A2+	Jan 05, 2023	[ICRA]A- (Stable)/ [ICRA] A2+

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term– Fund-based working capital	Simple
Long-term fund-based – Term Loan	Simple

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Short -term – Non fund-based working capital

Very Simple

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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	Cash Credit	NA	NA	NA	35.20	[ICRA]A (Stable)
NA	Term Loan-I	FY2023	NA	FY2028	10.67	[ICRA]A (Stable)
NA	Term Loan-II	FY2024	NA	FY2029	29.39	[ICRA]A (Stable)
NA	Term Loan-III	FY2024	NA	FY2029	29.06	[ICRA]A (Stable)
NA	Letter of Credit/ Bank Guarantee	NA	NA	NA	30.00	[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 – Not applicable**

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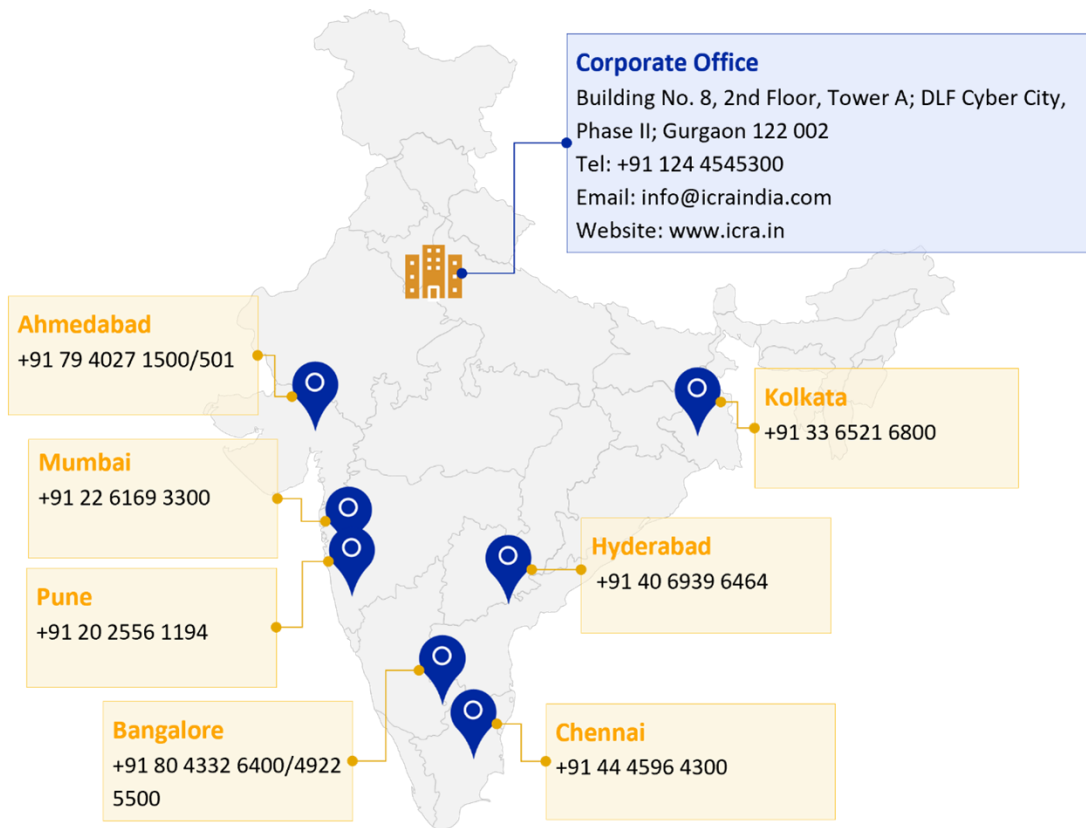
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