September 16, 2025

Shanthi Gears Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term Fund-based – Overdraft	0.01	0.01	[ICRA]A1+; reaffirmed
Long-term Non-fund Based	28.99	28.99	[ICRA]AA (Stable); reaffirmed
Long-term – Interchangeable	(38.99)	(38.99)	[ICRA]AA (Stable); reaffirmed
Short-term Fund-based	10.00	10.00	[ICRA]A1+; reaffirmed
Total	**39.00**	**39.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation for the bank lines of Shanthi Gears Limited (SGL) factors in its strong business and financial profiles as a leading manufacturer of industrial gears in India, and ICRA's expectation of a sustained financial performance in the near-to-medium term, supported by its established presence, diversified revenue base and healthy order book. 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, 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, despite improvement in the same over the years. The company's operating income (OI) stood at Rs. 604.6 crore in FY2025, reporting a YoY growth of 12.8%. The same remained flat at Rs. 134.9 crore in Q1 FY2026. The ratings also factor in the close linkages to capex cycles, which exposes its revenues to cyclicality in end-user industries, however, considerable share of revenues from the replacement segment (55.3% in FY2025) and presence across multiple end-user segments with no segment contributing more than 30% to the revenues in FY2025, mitigate the risk to an extent. SGL's operating margins (21.4% in FY2025 and 22.6% in Q1 FY2026) are exposed to volatility in raw material prices and competitive pressure. However, it would benefit from better absorption of costs as revenues scale up, and its periodic cost optimisation measures, going forward.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to maintain its credit profile, supported by its established presence and healthy order book 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 70.46% stake in SGL. Ever since the acquisition, the company has benefitted from the strong management support and operational synergies derived for being a subsidiary of TIIL. SGL has healthy financial profile and is expected to remain net debt negative, going forward. While it does not require financial support from its parent (TIIL), SGL enjoys implicit financial and operational support from its parentage.

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. It has a diversified client base with its top 10 customers accounting for less than one-third of its revenues in FY2025, insulating its revenues from customer concentration risk.

Strong financial profile – The company's operating margins were healthy at 21.4% in FY2025 (FY2024: 19.1%) and 22.6% in Q1 FY2026 (Q1 FY2025: 20.6%), aided by relatively higher value addition, favourable product mix and benefits of high capacity utilisation at its manufacturing facilities. Also, SGL has remained debt free since FY2013, primarily aided by healthy net cash accruals of more than Rs. 60 crore annually and moderate capex. Consequently, the company has a strong capital structure and coverage metrics. Further, 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. 249.0 crore as on June 30, 2025, supported by demand from both 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. 604.6 crore in FY2025, reflecting a YoY growth of 12.8%. While the company's revenue declined by 2.8% on a YoY basis to Rs. 134.9 crore in Q1 FY2026, the same is expected to improve in the remaining quarters, supported by a healthy pending order book position and better demand prospects.

Close linkage to capex cycle exposes revenues to cyclicality in end-user industries – SGL's revenues are 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 segments, with no segment generating more than 30% of its revenues in FY2025, mitigate the risk to an extent.

Margins susceptible to fluctuations in raw material prices – SGL's major raw materials include steel and steel components. The company's margins are susceptible to fluctuations in raw material prices, given its limited pricing flexibility for procured orders. Nonetheless, SGL's ability to pass through the increase in raw material prices in new orders and advance procurement of raw materials for the existing orders mitigate the risk to an extent. Further, the company's margins are likely to benefit from the operating leverage and periodic cost-optimisation initiatives, although competitive pressure remains.

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 lead to an increase in operating costs. Nevertheless, presence across multiple end-user industries, and presence in 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. The company would need to adapt to evolving social fabric, including changing consumer preferences, from time to time. SGL is also vulnerable to data security and data privacy risks and has reasonable reliance on human capital. 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 healthy anticipated cash flows from operations. Besides, it has unencumbered cash and liquid investments of Rs. 69.5 crore and non-current investments of Rs. 104.1 crore in tax free bonds and fixed deposits as on March 31, 2025. The company has remained debt free, and the fund-based working capital utilisation has been nil over the last 10 years. In relation to these sources of cash, SGL has moderate capex plans over the medium term, to be funded by internal accruals. Overall, the company's liquidity position is expected to remain strong over the medium term, supported by its strong operational and financial profiles.

Rating sensitivities

Positive factors – ICRA could upgrade SGL's ratings if it demonstrates a significant growth in its scale of operations and earnings, 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, 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	Tube Investments of India Limited holds a 70.46% stake in SGL
Consolidation/Standalone	The ratings are based on the standalone financial 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%. SGL is currently a subsidiary of TIIL, with minority shareholding by public and financial institutions.

Key financial indicators (audited)

Shanthi Gears Limited (Standalone)	FY2024	FY2025
Operating income	536.1	604.6
PAT	82.2	96.0
OPBDIT/OI	19.1%	21.4%
PAT/OI	15.3%	15.9%
Total outside liabilities/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	197.2	293.6

Amounts 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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023
				September 16, 2025	October 18, 2024	October 03, 2024	October 05, 2023	July 24, 2023	August 04, 2022
1	Fund based – Cash Credit	Long term				[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Fund based – Overdraft	Short term	0.01	[ICRA]A1+					
3	Others – interchangeable	Long term	38.99	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)			
4	Others – interchangeable	Short term			[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Non fund based – Others	Long term	28.99	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
6	Fund based – Others	Short term	10.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term Fund-based – Overdraft	Simple
Long term non-fund based	Very Simple
Long-term interchangeable	Very Simple
Short term fund based	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
NA	**Overdraft**	NA	NA	NA	0.01	[ICRA]A1+
NA	**Long term non fund-based limits**	NA	NA	NA	28.99	[ICRA]AA(Stable)
NA	**Long term interchangeable**	NA	NA	NA	(38.99)	[ICRA]AA(Stable)
NA	**Short term fund based**	NA	NA	NA	10.00	[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

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
jitinm@icraindia.com

K. Srikumar
+91 44 4596 4318
ksrikumar@icraindia.com

Sruthi Thomas
+91 80 4332 6430
sruthi.thomas2@icraindia.com

Nilesh Kumar Jain
+91 44 4596 4312
nilesh.jain2@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

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.

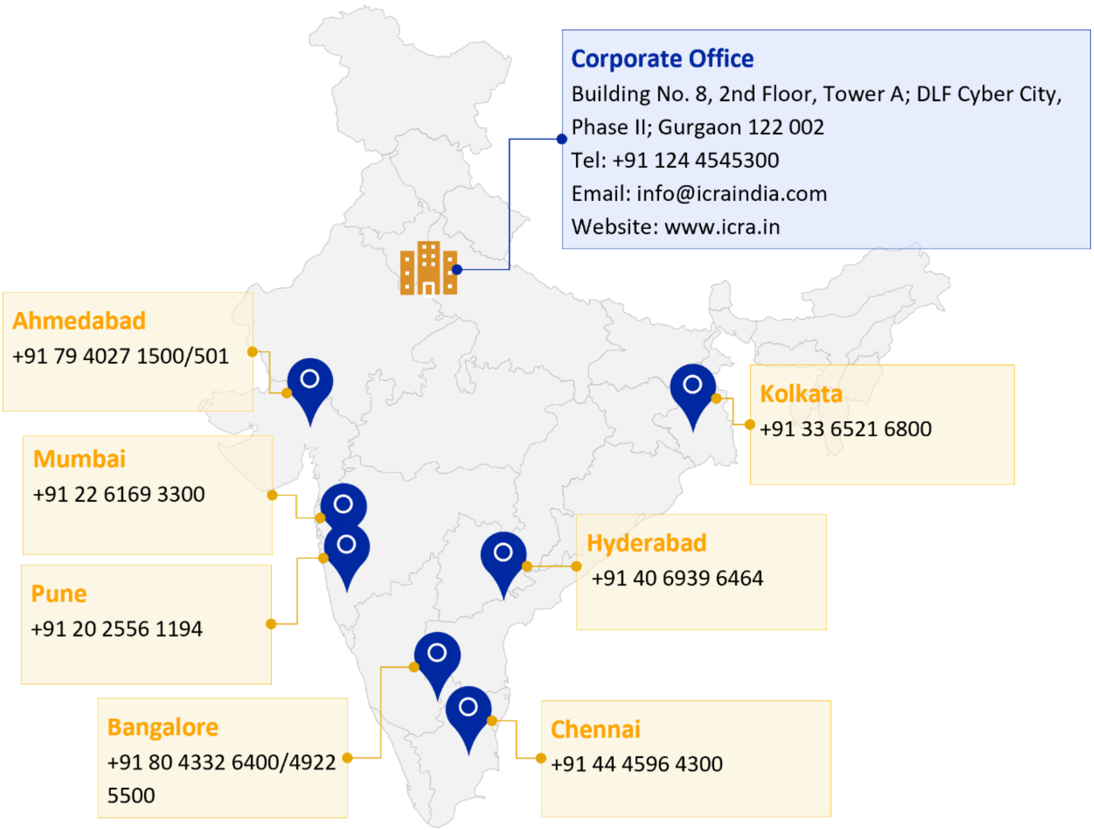
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.