

September 19, 2025

GNA Axles Ltd.: Update on entity

Summary of rating(s) outstanding

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating outstanding
Long-term Fund-based – Cash Credit	199.00	199.00	[ICRA]AA- (Stable); outstanding
Long-term Fund-based – Term Loan	181.50	181.50	[ICRA]AA- (Stable); outstanding
Short-term – Non-fund Based Limits	0.50	0.50	[ICRA]A1+; outstanding
Short-term – Forward Contract	9.00	9.00	[ICRA]A1+; outstanding
Total	390.00	390.00	

Rationale

India's exporters have been navigating a turbulent trade environment, following the high level of tariffs imposed by the US. The latest round of US tariffs, effective August 27, 2025, has added a punitive 25% duty on select Indian goods, significantly increasing the overall tariff burden and creating cost pressure. The US has also levied tariffs on steel, aluminum, copper and their derivative products under Section 232 of the Trade Expansion Act.

GNA Axles Ltd. (GAL) generates 20-25% of its overall revenues from the US with most of its products falling under the Section 232 tariff categories, exposing it to elevated tariffs of 50% for commercial vehicles (CV)/ tractors segment and 25% for the light vehicles (LV) segment.

However, as indicated by the management, GAL's 50-60% of exports to the US are on an ex-works basis, wherein the import duty is borne by the customer upon import into the US. For the balance, exports are on a delivery duty paid (DDP) basis, wherein the import duty is borne by GAL, with an eventual pass through to the customers. GAL is expected to continue to pass on the costs arising out of higher tariffs to its customers through increasing realisations of the parts exported, which is likely to mitigate the impact of cost pressure on its profitability. Moreover, the substitution risk for domestic auto component manufacturers supplying to the US-based original equipment manufacturers (OEM) and tier-1 suppliers are low owing to elongated product development cycle and approval/ trial processes.

Notwithstanding some moderation in revenue due to lower exports, given the uncertain trade environment in the US market, GAL's performance remained largely stable in Q1 FY2026 despite application of initial 25% derivative tariffs from March 2025 (further increased to 50% from June 3, 2025), indicating steady supplies and the ability of the company to pass on the increased costs. The company's operating profit margin (OPM) improved to 14.6% in Q1 FY2026 against 13.3% in FY2025 supported by continued raw material pass-through and cost rationalisation initiatives. The company also maintains an adequate liquidity position, supported by a cushion of Rs. 50 crore against sanctioned working capital limits and Rs. 20-30 crore of free cash and bank balances as of August 2025, supporting its credit profile. Additionally, GAL's established track record in the industry, long relations with its customers and a healthy financial risk profile marked by a comfortable capital structure and debt coverage metrics further provide comfort to withstand any implications arising out of the ongoing trade environment. Nonetheless, ICRA will continue to monitor the evolving situation and its implications for GAL's credit profile.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, rating sensitivities and ESG risks: [Click here](#)

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto component
Parent/Group support	Not applicable.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of GAL. Refer to Annexure-II for the list of entities considered for consolidation

About the company

GAL, incorporated in 1993, manufactures forged and machined automotive transmission components such as spindles, drive shafts and axles. GAL is one of the leading auto components and parts providers to major original equipment manufacturers and tier-1 suppliers, with major presence in the CV and tractor segments in both the domestic as well as the export markets. The company, promoted by Mr. Gursaran Singh and family, has integrated manufacturing units at Hoshiarpur, Punjab, with an installed production capacity of 6.7 million pieces per annum. GAL was listed on the National Stock Exchange and the Bombay Stock Exchange on September 26, 2016.

Key financial indicators (audited)

GAL - Consolidated	FY2024	FY2025
Operating income	1,508.9	1,532.5
PAT	100.0	107.1
OPBDIT/OI	13.2%	13.3%
PAT/OI	6.6%	7.0%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	1.1	1.3
Interest coverage (times)	17.3	17.1

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 ratings (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs Crore)	Sept 19, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based-Cash Credit	Long Term	199.00	[ICRA]AA-(Stable)	02-Jan-25	[ICRA]AA-(Stable)	22-Jan-24	[ICRA]AA-(Stable)	-	-
Fund based - Term Loans	Long Term	181.50	[ICRA]AA-(Stable)	02-Jan-25	[ICRA]AA-(Stable)	22-Jan-24	[ICRA]AA-(Stable)	-	-
Non-fund-based limits	Short Term	0.50	[ICRA]A1+	02-Jan-25	[ICRA]A1+	22-Jan-24	[ICRA]A1+	-	-
Forward Contract	Short Term	9.00	[ICRA]A1+	02-Jan-25	[ICRA]A1+	22-Jan-24	[ICRA]A1+	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term - Fund-based – Cash Credit	Simple
Long-term – Fund-based - Term Loans	Simple
Short-term - Non-fund based limits	Very Simple
Short-term - Forward Contract	Very 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	Long-term - Fund-based - Cash Credit	-	-	-	199.00	[ICRA]AA-(Stable)
NA	Long-term - Fund based - Term Loans	FY2022	9.0% - 9.5%	FY2029	181.50	[ICRA]AA-(Stable)
NA	Short term - non-fund based limits	-	-	-	0.50	[ICRA]A1+
NA	Short-term - Forward Contract	-	-	-	9.00	[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

Company Name	Ownership	Consolidation Approach
GNA Axles Inc, USA	100%	Full Consolidation

Source: GAL annual report

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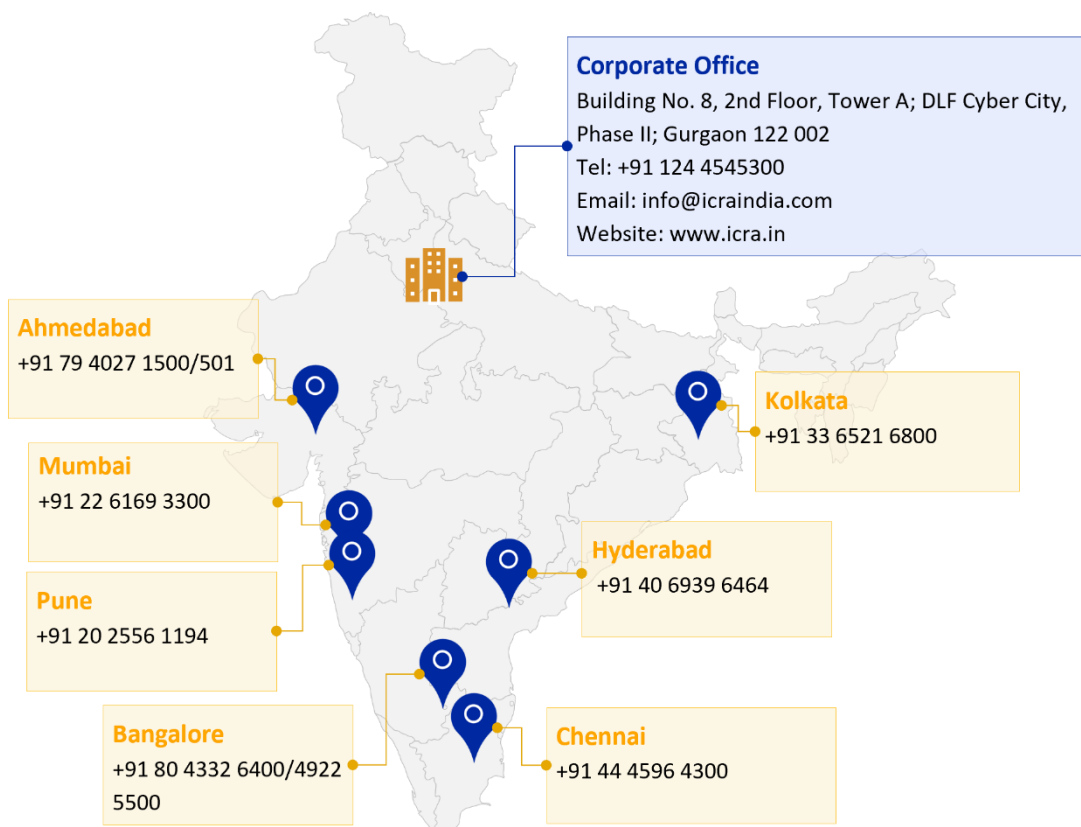


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