

January 9, 2026

GNA Axles Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	199.00	199.00	[ICRA]AA- (Stable); Reaffirmed
Long-term – Fund-based – Term loans	181.50	181.50	[ICRA]AA- (Stable); Reaffirmed
Short-term – Non-fund based limits	0.50	0.50	[ICRA]A1+; Reaffirmed
Short-term – Forward contract	9.00	9.00	[ICRA]A1+; Reaffirmed
Total	390.00	390.00	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation for GNA Axles Limited (GAL) factors in its established track record and the extensive experience of its promoters in the automotive transmission components manufacturing business in domestic and global markets as well as its longstanding relations with reputed customers including original equipment manufacturers (OEMs) and tier-1 auto ancillaries across the globe. The ratings also account for the company's healthy financial risk profile, marked by steady cash flow generation, comfortable capital structure and debt coverage metrics and adequate liquidity position.

After having reported steady growth till FY2025, GAL has reported some moderation in revenues in H1 FY2026 due to a decline in exports, primarily to the Americas (historically accounting for 25-30% of total exports). This is on account of lower demand from key customers (primarily in the commercial vehicle (CV) industry) amid reduction in end-user demand due to broader economic slowdown as well as rising costs of vehicles due to new and expanding tariffs imposed by the US government. However, the dip in exports was partially offset by healthy growth in sales in the domestic market, primarily to OEMs in the tractor segment. While ICRA expects GAL to report a 7-10% contraction in its revenue in FY2026, subsequent recovery in growth is anticipated to be driven by improvement in demand as well as growing presence in light vehicles (LV) and electric vehicles (EV) in key export markets. The Mexican government had recently announced imposition of high tariffs from January 1, 2026 onwards on imports of products including auto components from countries with which Mexico does not have a free trade agreement. Since GAL's exports to Mexico are relatively low (5-7% of revenues), this development would not have a material impact on its credit profile.

However, the ratings are constrained by the vulnerability of profit margins to fluctuations in prices of key raw materials, however, the same is mitigated to some extent with the pass-through model followed by the company. GAL's ratings also remain constrained by the moderately elevated working capital intensity, owing to sizeable share of exports and high receivables and inventory cycle. Further, since the revenues are concentrated in the automotive sector, specially CVs and tractors, it continues to be susceptible to inherent cyclicity in the industry. However, the same is offset by the recent diversification into the passenger vehicle (PV) and LV segments, alongside EV segments, which provides some comfort.

The Stable outlook on the long-term rating reflects ICRA's expectations that GAL will benefit from its established business position, strong manufacturing set-up and established relationships with key customers. These will help it record a steady earnings growth and maintain a healthy financial risk profile.

Key rating drivers and their description

Credit strengths

Established track record supported by extensive experience of promoters in the automotive components industry – GAL is an established automotive components manufacturer with a robust operational track record and strong relationships with reputed clientele across the globe. The company's stable business position is supported by its major presence in the CV and tractor segments, healthy share of business and integrated manufacturing set-up. Moreover, it is promoted by the Singh family, who have several decades of experience in the automotive components business. GAL also has a veteran management team and industry professionals on its board of directors.

Long-standing relationships with reputed clientele – Over the years, GAL has developed a reputed client base of several leading automotive OEMs and tier-1 suppliers in both domestic and overseas markets. Some of them are Meritor Inc., Dana Commercial Vehicle, John Deere India Private Limited, Mahindra and Mahindra Limited and Automotive Axles Limited, among others. The company maintains a healthy share of business for its key products — axles, shafts and spindles, aided by its strong manufacturing capabilities and established operational track record.

Segmental and geographic diversification of the revenue stream – GAL's revenues are well diversified, with ~65% share of revenue from the CV segment, while the rest comes from the off-highway segment. The company also expanded into the PV and LV segments, partnering with a few reputed OEMs and tier-1 suppliers from the domestic and export markets. Further, GAL enjoys a healthy share of revenues from the export market (56% in FY2025). Its region-wise sales are dominated by Asia (48% share in FY2025), followed by North America (23%), South America (16%) Europe (12%) and Australia.

Healthy financial risk profile characterised by comfortable capital structure, strong debt coverage metrics and adequate liquidity – The company's financial profile continues to be comfortable, reflected in healthy cash accrual generation, strong capital structure and adequate liquidity profile. Although its revenue growth moderated, growing by 1.6% amid muted demand due to US tariffs and geopolitical headwinds, the same was offset by volume growth in the domestic tractors industry and diversification into the PV and LV segments. Moreover, the operating margins have also improved in H1 FY2026 to 16.1%, supported by the backward integrated nature of operations, availability of raw material price pass-through, locational cost-saving advantages and healthy share of business. The liquidity position also remains adequate, marked by sufficient cash balances and comfortable cushion in working capital limits with sizeable drawing power. The financial profile is expected to continue to be healthy, marked by a sizeable net worth and healthy coverage metrics, with estimated debt service coverage ratio (DSCR) of around 6x in FY2026.

Credit challenges

High working capital intensity of the business – Given the integrated nature of manufacturing operations and relatively elevated transit time due to the company's presence in the exports markets, its receivable and inventory cycles remain high. This has resulted in greater working capital intensity, reflected in NWC/OI¹ at around 40% in recent years. The same is anticipated to continue at similar levels, going forward, owing to a steady increase in the scale of business. However, the bulk of the incremental working capital requirements of the business is expected to be funded through internal accruals, keeping the reliance on external borrowings under check.

High customer concentration risk as top 10 customers account for ~80% of revenues – GAL faces high customer concentration risk, with its top 10 customers driving ~80% of its revenue in recent years. Thus, the company's business performance is vulnerable to the performance and market share of its key clients. However, given its established relationships and healthy share of business with these clients, along with single-source supplier status for certain products, the risk is mitigated to an extent. The company is also focussed on adding new customers and increasing supplies to other business segments such as PV and EV over the medium term, which provide some comfort.

¹ Net working capital/ Operating income

Exposure to raw material price volatility and cyclicalities inherent in the automotive sector – GAL's profitability remains vulnerable to fluctuations in prices of its key raw material, steel. However, it has a raw material price increase pass-through mechanism with customers, which comes with a lag. This has led to mitigating such risk for the company and enabling it to largely sustain its profit margins. Moreover, GAL remains exposed to the inherent cyclicalities in the CV and tractor industries. However, recent diversification into the PV business is likely to mitigate this risk to an extent. Also, a bulk of GAL's revenues is derived from the export markets, especially North America and Europe, exposing the demand prospects to fluctuations in the international markets.

Environmental and social risks

Environmental concerns – As GAL is not directly exposed to climate transition risks from a likelihood of tightening emission control requirements, with its products being used by various auto industry OEMs, its automotive manufacturer customers remain highly exposed to the same. Accordingly, its prospects are linked to the ability of its customers to meet the tightened emissions requirements. The company is continually taking measures to support eco-conscious practices and reduce carbon emissions through waste management, sustainable packing choices and electric alternatives.

Social concerns – GAL, like most automotive component suppliers, has a healthy dependence on human capital and as such, retaining human capital, maintaining healthy employee relations and supplier ecosystem remain essential for disruption-free operations for the entity. The company has been undertaking initiatives to enhance employee safety, besides education and skill development initiatives for improving their capabilities. Another risk that GAL faces is product safety and quality, wherein instances of product recalls and high warranty costs may not only result in a financial implication but also harm its reputation in the long term. In this regard, its strong track record in catering to leading automotive players underscores its ability to mitigate these risks to an extent.

Liquidity position: Adequate

GAL's liquidity position is adequate, supported by steady internal accrual generation, cash and bank balances of around Rs. 55 crore (as of September 2025), along with comfortable cushion of Rs. 120-125 crore against sanctioned limits and sizeable drawing power in working capital facilities. Further, the company has capital expenditure (capex) plans of Rs. 70 crore for FY2026 and Rs. 100-110 crore over FY2027, to be largely funded by internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade GAL's ratings if the company reports further diversification and strengthening of its business profile, translating into significant growth in its earnings, reinforcement of its debt protection metrics and liquidity profile. Specific credit metrics that could result in a ratings upgrade include total debt/OPBDITA of less than 1.0 times on a sustained basis.

Negative factors – Negative pressure on GAL's ratings could arise in case of considerable decline in internal accrual generation, significant debt-funded capex or deterioration in working capital cycle, resulting in weakening of its credit metrics and liquidity position. Specific credit metrics that could result in a ratings downgrade include DSCR of less than 2.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
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. It is one of the leading auto components and parts providers to major OEMs and tier-1 suppliers, with major presence in the CV and tractor segments in both domestic as well as the export markets. The company, promoted by Mr. Gursaran Singh and family, has integrated manufacturing units at Hoshiarpur, Punjab. 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	H1 FY2026*
Operating income	1,508.9	1,532.5	692.1
PAT	100.0	107.1	54.2
OPBDIT/OI	13.2%	13.3%	16.1%
PAT/OI	6.6%	7.0%	7.8%
Total outside liabilities/Tangible net worth (times)	0.5	0.5	0.6
Total debt/OPBDIT (times)	1.1	1.3	0.9
Interest coverage (times)	17.3	17.1	16.4

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, *Based on H1 FY2026 unaudited results

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		FY2025		FY2024		FY2023	
			Jan 9, 2026	Sept 19, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long term	199.00	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	Jan 02, 25	[ICRA]AA-(Stable)	Jan 22, 24	[ICRA]AA-(Stable)	-	-
Fund-based – Term loans	Long term	181.50	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	Jan 02, 25	[ICRA]AA-(Stable)	Jan 22, 24	[ICRA]AA-(Stable)	-	-
Non-fund based limits	Short term	0.50	[ICRA]A1+	[ICRA]A1+	Jan 02, 25	[ICRA]A1+	Jan 22, 24	[ICRA]A1+	-	-
Forward contract	Short term	9.00	[ICRA]A1+	[ICRA]A1+	Jan 02, 25	[ICRA]A1+	Jan 22, 24	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash credit	Simple
Long-term – Fund-based – Term loans	Simple
Short-term – Non-fund based limits	Simple
Short-term – Forward contract	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-FY2024	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

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Kinjal Shah

+91 022 6114 3442

kinjal.shah@icraindia.com

Deepak Jotwani

+91 124 4545 870

deepak.jotwani@icraindia.com

Shubham Gupta

+91 124 4545 399

shubham.gupta2@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



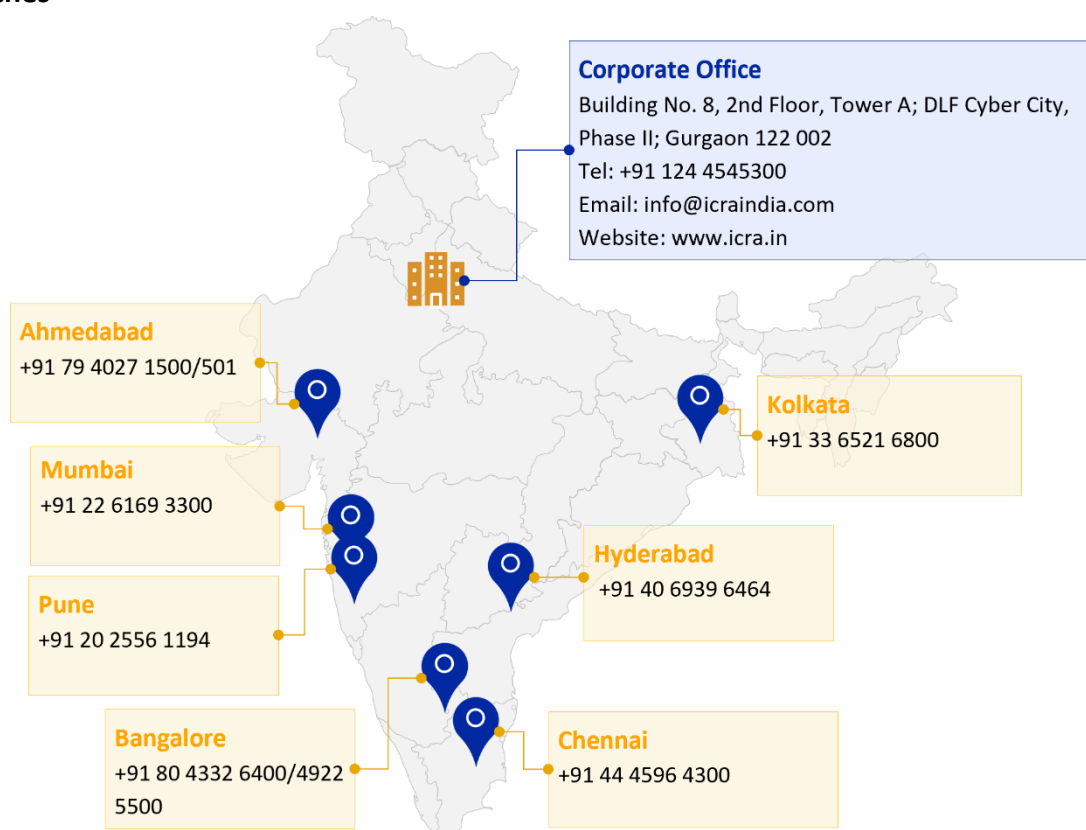
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2026 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

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.