

July 07, 2026

Guru Nanak Auto Enterprises Limited: [ICRA]A+(Stable)/[ICRA]A1+; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Cash credit	53.00	[ICRA]A+ (Stable); assigned
Long-term fund-based – Term loans	4.99	[ICRA]A+ (Stable); assigned
Short-term – Fund based	120.00	[ICRA]A1+; assigned
Short term-Non fund based	38.00	[ICRA]A1+; assigned
Long term/short term-Unallocated	12.01	[ICRA]A+ (Stable)/[ICRA]A1+; assigned
Total	228.00	

*Instrument details are provided in Annexure II

Rationale

The ratings assigned to Guru Nanak Auto Enterprises Limited (GNAEL) factor in its established track record and long relations with major players in the commercial vehicles (CV) segment as a supplier of rear-axle beam. Further, the ratings positively factor in the extensive experience of its promoters in the automotive transmission products manufacturing business in the domestic and global markets as well. The ratings draw comfort from the company's established position as one of the prominent rear-axle manufacturers in India, catering to several large original equipment manufacturers (OEMs), namely Ford Motors, Tata Motors Limited, and VE Commercial Vehicles Limited, among others. The company has established relationships with major OEMs and enjoys healthy wallet share with them. The assigned ratings also factor in healthy growth in revenues to Rs. 862 crore in FY2026, which, coupled with healthy operating profitability of 18-20%, led to the generation of healthy cash accruals and return on capital employed. The ratings also favourably factor in GNAEL's comfortable financial risk profile and robust balance sheet, as evident from its sizeable net worth, negligible debt levels, and strong liquidity position.

The rating strengths are partially offset by the customer concentration risk with the company deriving 90% of its total revenues from the top 10 customers. The ratings also consider the inherent cyclicity in the CV industry. Moreover, the ratings are constrained owing to high working capital intensity of the business with NWC/OI of around 40% due to high receivable/inventory days. The company maintains warehouses in key export markets to cater to its customers. Further, the company's profitability is exposed to the volatility in prices of key raw materials, even as it is expected to pass on the impact of the same to its customers but with some lag. GNAEL generates healthy share of its overall revenues from the export markets; hence the revenues and profitability are also exposed to change in trade policies of importing countries as well as forex risks. The company's ability to grow its scale of operations amid the tariff uncertainty in FY2026, provides comfort in this regard.

The Stable outlook on the long-term rating reflects ICRA's expectations that GNAEL will continue to record steady earnings growth, aiding it in maintaining a healthy financial risk profile.

Key rating drivers and their description

Credit strengths

Established track record supported by extensive experience of promoters in automotive components industry – GNAEL is an established automotive components manufacturer with a healthy operational track record and strong relationships with a

reputed clientele in both the domestic and export markets. Moreover, it is promoted by the Singh family, who have several decades of experience in the automotive components business.

Long relationships with reputed clientele – Over the years, GNAEL has developed a reputed client base of several leading automotive OEMs and tier-1 suppliers in both the domestic and overseas markets, including Ford Motors, Tata Motors Limited, and VE Commercial Vehicles Limited, among others. The company maintains a healthy share of business for its key product, rear-axle shaft, aided by its strong manufacturing capabilities and established operational track record.

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 and a strong capital structure. The liquidity position also remains strong, marked by 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.

Credit challenges

High working capital-intensive nature of business – Given the relatively elevated transit time due to the company's presence in the exports markets and stocking requirements at warehouses in the overseas markets, its receivable and inventory cycles remain high. This has resulted in higher working capital intensity, reflected in NWC/OI 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, thus keeping the reliance on external borrowings under check.

Exposure to segment and customer concentration risks – GNAEL faces high customer concentration risk, with its top 10 customers driving around 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.

Exposure to raw material price volatility and cyclicity inherent in the automotive sector, coupled with forex risk – GNAEL'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 helped mitigate such risks for the company and enabled it to largely sustain its profit margins. Moreover, GNAEL remains exposed to the inherent cyclicity in the CV industry. Also, a bulk of GNAEL's revenues are derived from the export markets, exposing the demand prospects to fluctuations in the international markets.

Liquidity position: Strong

GNAEL's liquidity position is Strong, supported by steady internal accrual generation (expected fund flow from operations of Rs. 130-140 crore in FY2027), cash and bank balances of around Rs. 20 crore (as of March 2026), along with comfortable cushion of Rs. 173 crore against sanctioned limits and sizeable drawing power in working capital facilities. The company has capex plans of Rs. 40 crore for FY2027 and repayments of around Rs 4 crore, which are expected to be met through internal accruals.

Rating sensitivities

Positive factors – The long-term rating could be upgraded if the company is able to strengthen its business profile further through meaningful diversification of its customer base and products, which would aid the company to reduce its exposure to cyclicity on a sustained basis. The company's ability to maintain its profitability and return indicators at healthy levels over industry cycles would also remain critical.

Negative factors – Pressure on GNAEL’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 Total Debt/OPBDITA of more than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	None
Consolidation/Standalone	Standalone

About the company

Incorporated in 1974, GNAEL is a closely held company owned by Jagdish Singh and his family. It manufactures automotive components such as rear-axle shafts, torsion bars and other components used in the CV industry. The company’s manufacturing facilities are at Kapurthala and Jalandhar, Punjab. GNAEL caters to major OEMs and auto component manufacturers in the domestic and export markets.

Key financial indicators (audited)

Standalone	FY2025	FY2026*
Operating income	738.0	861.7
PAT	93.5	117.0
OPBDIT/OI	18.7%	20.1%
PAT/OI	12.7%	13.6%
Total outside liabilities/Tangible net worth (times)	0.5	0.4
Total debt/OPBDIT (times)	0.6	0.2
Interest coverage (times)	13.3	35.8

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; *Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	07-Jul-26	FY2027		FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based-Cash credit	Long-term	53.00	[ICRA]A+ (Stable)	-	-	-	-	-	-	-	-
Fund-based/Non-fund based-Unallocated limits	Long-term/short-term	12.01	[ICRA]A+ (Stable)/[ICRA]A1+	-	-	-	-	-	-	-	-
Fund-based-Term loan	Long-term	4.99	[ICRA]A+ (Stable)	-	-	-	-	-	-	-	-
Fund-based-Export packing credit	Short-term	120.00	[ICRA]A1+	-	-	-	-	-	-	-	-
Non-fund based-Others	Short-term	38.00	[ICRA]A1+	-	-	-	-	-	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

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 – Fund based	Simple
Short term-Non fund based	Simple
Long term/short term-Unallocated	Not Applicable

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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based – Cash credit	NA	NA	NA	53.00	[ICRA]A+ (Stable)
NA	Fund-based – Term loans	NA	NA	FY2028	4.99	[ICRA]A+ (Stable)
NA	Fund based	NA	NA	NA	120.00	[ICRA]A1+
NA	Non fund based	NA	NA	NA	38.00	[ICRA]A1+
NA	Unallocated	NA	NA	NA	12.01	[ICRA]A+ (Stable)/[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure III: List of entities considered for consolidated analysis – Not applicable

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