November 13, 2026

GNA Axles Ltd.: Ratings reaffirmed

Summary of rating action

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

**Instrument details are provided in Annexure I*

#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.

Rationale

The reaffirmation of the ratings for GNA Axles Limited (GAL) factors in its established operational track record and the extensive experience of its promoters in the automotive transmission components (axles, spindles and drive shafts) industry, as well as its long-standing relationships with reputed original equipment manufacturers (OEMs) and Tier-I suppliers across domestic and overseas markets. The ratings also factor in GAL's diversified revenue profile across the commercial vehicle, tractor and off-highway equipment segments, which provides some protection against demand cyclicality in any single end-user industry. Further, the company has a fairly balanced presence across domestic and export markets, with exports spread across North America, South America, Europe and Asia. GAL's operating income moderated slightly by 4.7% to Rs. 1,460.8 crore in FY2026 from Rs. 1,532.5 crore in FY2025, primarily because of lower exports to the US amid tariff-induced uncertainty. However, GAL reported a strong recovery in H1 FY2027, with operating income increasing by 43.3% YoY to Rs. 991.6 crore, driven by higher exports to the US and an increase in average realisations following the firming up of steel prices in recent quarters. Additionally, the company has sustained its operating margins at around 15% in FY2026 and H1 FY2027, supported by cost rationalisation initiatives, increasing economies of scale and product mix. The ratings continue to derive comfort from GAL's healthy financial risk profile, characterised by a comfortable capital structure, strong debt coverage indicators and adequate liquidity. GAL is expected to incur annual capex of around Rs. 100-125 crore for capacity expansion and modernisation over FY2027-FY2029. While a part of the capex is debt-funded, the capital structure is expected to remain comfortable, supported by healthy accrual generation and a sizeable net worth. Leverage (total debt/OPBDITA) is expected to remain around or below 1.0 times over the medium term, after having improved to 1.0 times in FY2026 from 1.3 times in FY2025.

The ratings, however, remain constrained by high customer concentration, with the top 10 customers accounting for around 79% of FY2026 revenues. However, the risk is partly mitigated by longstanding relationships, repeat business and GAL's healthy share of business with key customers. Further, profitability remains exposed to volatility in steel prices and the inherent cyclicality of the automotive industry. This risk is mitigated by established price-adjustment mechanisms.

The Stable outlook on the long-term rating reflects ICRA's expectations that GAL will benefit from its established business position and relationships with key customers, enabling it to record 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 significant presence in the CV and tractor segments, healthy share of business and integrated manufacturing set-up. Moreover, it is promoted by the Singh family, which has 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 comprising several leading automotive OEMs and Tier-I 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 about 60-65% of revenue coming from the CV segment, while the rest is derived from the off-highway segment. The company has also expanded into the PV and LV segments, partnering with a few reputed OEMs and Tier-1 suppliers in domestic and export markets. Further, GAL enjoys a healthy share of revenues from the export market (47% in FY2026). Its region-wise sales are dominated by Asia (56% share in FY2026), followed by North America (18%), South America (13%), and Europe (13%).

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, a strong capital structure and an adequate liquidity profile. Although its revenue growth moderated, with the company witnessing a contraction of 4.7% on the back of lower offtake from export customers amid deferred purchase cycles, it has recovered well, registering healthy growth of about 43% in H1 FY2027. Additionally, the company has sustained its operating margins at around 15% in FY2026 and H1 FY2027, supported by cost rationalisation initiatives, increasing economies of scale and product mix. The liquidity position also remains adequate, marked by sufficient cash balances and a comfortable cushion in working capital limits, supported by sizeable drawing power. The financial profile is expected to remain healthy, supported by steady growth in earnings, a comfortable capital structure and strong debt protection metrics.

Credit challenges

High working capital intensity of the business – Given the integrated nature of its manufacturing operations and relatively elevated transit times due to the company's presence in export markets, its receivable and inventory cycles remain long. This has resulted in greater working capital intensity, reflected in NWC/OI[1] 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.

Top 10 customers account for about 80% of revenues leading to high customer concentration risk– GAL faces high customer concentration risk, with its top 10 customers accounting for about 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, the risk is mitigated to an extent by its established relationships and healthy share of business with these clients, along with single-source supplier status for certain products. 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 provides some comfort.

[1] *Net working capital/ Operating income*

Exposure to raw material price volatility and cyclicality inherent in the automotive sector – GAL's profitability remains vulnerable to fluctuations in the prices of its key raw material, steel. However, it has a raw material price pass-through mechanism with customers, which operates with a lag. This helps mitigate the risk and enables the company to largely sustain its profit margins. Moreover, GAL remains exposed to the inherent cyclicality of 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 export markets, especially North America and Europe, exposing its demand prospects to fluctuations in international markets.

Environmental and social risks

Environmental concerns – As GAL is not directly exposed to climate transition risks arising from the likelihood of tightening emission control requirements, given that its products are used by various auto industry OEMs, its automotive manufacturer customers remain highly exposed to these risks. However, this risk is mitigated to an extent by the powertrain-agnostic nature of GAL's key products, including axle shafts, which find application across both internal combustion engine and electric vehicle platforms.

Social concerns – GAL, like most automotive component suppliers, has a higher dependence on human capital. As such, retaining human capital, maintaining healthy employee relations and sustaining a robust supplier ecosystem remain essential for disruption-free operations. The company has been undertaking initiatives to enhance employee safety, besides implementing education and skill development initiatives to improve employee capabilities. Another risk that GAL faces relates to product safety and quality, wherein instances of product recalls and high warranty costs may not only have financial implications but also harm its reputation in the long term. In this regard, its strong track record of 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. 30-35 crore, along with comfortable cushion of Rs. 100-110 crore against sanctioned limits and sizeable drawing power in working capital facilities as of August 2026. Further, the company has capital expenditure (capex) plans of Rs. 100-125 crore for FY2027-FY2029, to be largely funded by internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade GAL's long-term rating 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 – Pressure on GAL's ratings could arise in case of a considerable decline in internal accrual generation, significant debt-funded capex or deterioration in the working capital cycle, resulting in a weakening of its credit metrics and liquidity position. Specific credit metrics that could result in ratings downgrade include total debt /OPBITDA 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	Not applicable.

Analytical approach	Comments
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 a significant presence in the CV and tractor segments in both domestic and 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)	FY2025	FY2026	H1 FY2027*
Operating income	1,532.5	1,460.8	991.6
PAT	107.1	117.0	82.3
OPBDIT/OI	13.3%	15.1%	15.5%
PAT/OI	7.0%	8.0%	8.3%
Total outside liabilities/Tangible net worth (times)	0.5	0.5	0.6
Total debt/OPBDIT (times)	1.3	1.0	0.7
Interest coverage (times)	17.1	16.6	21.0

*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 FY2027 unaudited results*

Status of non-cooperation with previous CRA:

Any other information: None

Rating history for past three years

	Current ratings (FY2027)			Chronology of rating history for the past 3 years					
		Date & rating in FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Nov 13, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long term	199.00	[ICRA]AA-(Stable)	Sept 19, 2025	[ICRA]AA-(Stable)	Jan 02, 25	[ICRA]AA-(Stable)	Jan 22, 24	[ICRA]AA-(Stable)
				Jan 9, 2026	[ICRA]AA-(Stable)	-	-	-	-
Fund-based – Term loans	Long term	181.50	[ICRA]AA-(Stable)	Sept 19, 2025	[ICRA]AA-(Stable)	Jan 02, 25	[ICRA]AA-(Stable)	Jan 22, 24	[ICRA]AA-(Stable)
				Jan 9, 2026	[ICRA]AA-(Stable)	-	-	-	-
Non-fund based limits	Short term	0.50	[ICRA]A1+	Sept 19, 2025	[ICRA]A1+	Jan 02, 25	[ICRA]A1+	Jan 22, 24	[ICRA]A1+
				Jan 9, 2026	[ICRA]A1+	-	-	-	-
Forward contract	Short term	9.00	[ICRA]A1+	Sept 19, 2025	[ICRA]A1+	Jan 02, 25	[ICRA]A1+	Jan 22, 24	[ICRA]A1+
				Jan 9, 2026	[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	Financial sector regulator#
NA	Long-term – Fund-based – Cash credit	-	-	-	199.00	[ICRA]AA- (Stable)	RBI
NA	Long-term – Fund-based – Term loans	FY2022-FY2026	8.5% - 9.5%	FY2029	181.50	[ICRA]AA- (Stable)	RBI
NA	Short term – Non-fund based limits	-	-	-	0.50	[ICRA]A1+	RBI
NA	Short-term – Forward contract	-	-	-	9.00	[ICRA]A1+	RBI

Source: Company

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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
G N A Mobility Limited, Mehtiana	100%	Full Consolidation

Source: GAL Q2 FY2027 results

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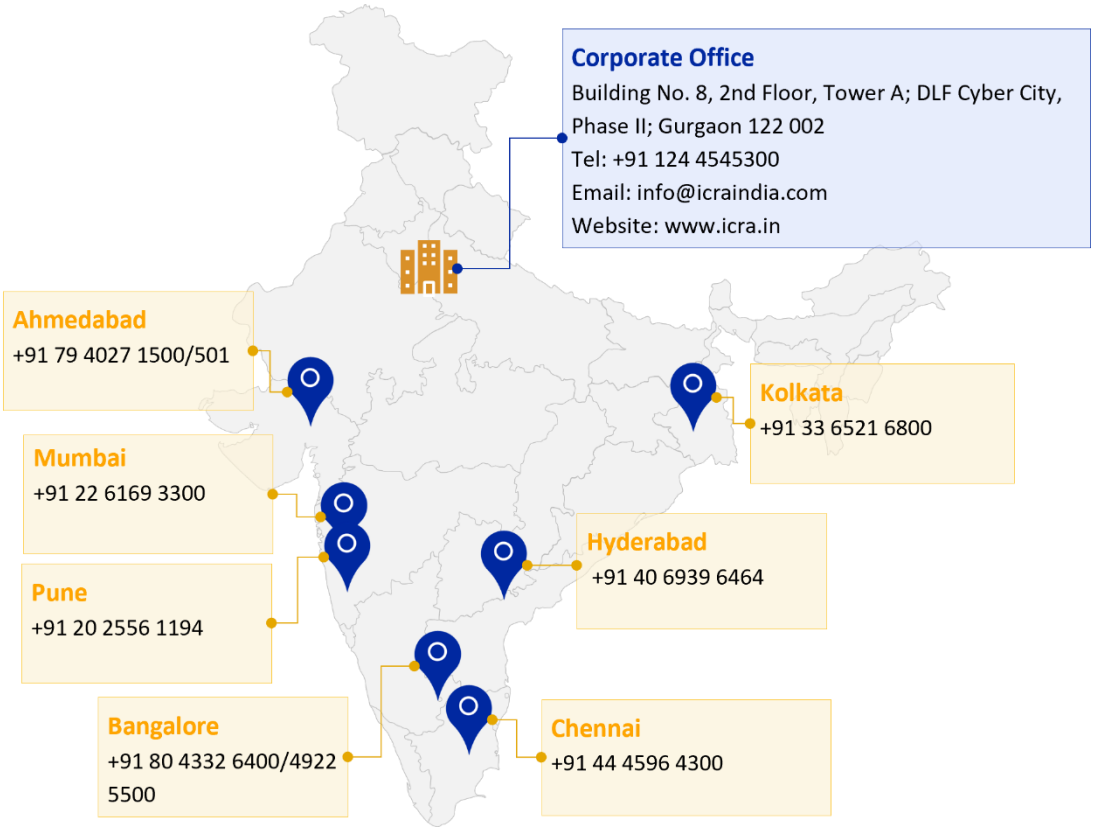
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