



AKAR AUTO INDUSTRIES LTD.

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CIN No.: L29220MH1989PLC052305



REF: AAIL/CS/39/2025

To,
Corporate Relations Department,
Bombay Stock Exchange Limited,
Phiroz Jeejeebhoy Tower,
Dalal Street, Fort,
MUMBAI – 400001

Date: 12th Nov, 2025

Reference: Scrip Code: 530621. Scrip ID: AAIL

Subject: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Change in Credit Rating.

Dear Sir / Madam,

With Reference to the captioned subject, we wish to inform that Infomerics Valuation and Rating Private Limited vide its press release dated 11.11.2025 has assigned a rating of '**IVR BBB**' and '**IVR A3+**' for the long term and short term credit facilities availed by Company.

A copy of the report from Infomerics Valuation and Rating Private Limited covering the rationale for assignment of credit rating is enclosed for your information.

Thanking You,
Yours Truly,

For AKAR AUTO INDUSTRIES LIMITED

Dipak Kala
Company Secretary



Press Release

Akar Auto Industries Limited

November 11, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.02 (Enhanced from Rs.46.31 crore)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating Upgraded	Simple
Short Term Bank Facilities	50.32 (Enhanced from Rs. 48.50 crore)	IVR A3+ (IVR A three Plus)	IVR A3 (IVR A three)	Rating Upgraded	Simple
Total	100.34 (Rupees One Hundred Crore and Thirty-Four Lakhs Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded the ratings assigned to the bank facilities of Akar Auto Industries Limited (AAIL). The upgrade reflects the strengthening of the company's overall business profile, driven by further diversification of its revenue base and the anticipated benefits from backward integration through solar power generation, which is expected to enhance profitability. The ratings also factor in the strong operational outlook for the current financial year, supported by a robust recovery in commercial vehicle (CV) sales leading to increased demand for AAIL's leaf spring and forging products. Additionally, the recent reduction in GST rates from 28% to 18%, effective September 22, 2025 is expected to boost demand growth in the commercial vehicle segment, thereby benefiting AAIL's product portfolio. The GST rate cut is also likely to spur higher offtake for the company's toolkits, particularly in secondary markets.

The ratings derive strength from locational advantage which has helped sustain revenues and cash flows, and also from diversified revenue stream with presence in both domestic and export markets. Further, the ratings are supported by reputed and established client base,



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cost saving from installation of solar project, cost savings from sourcing steel from group company RL steels and Energy Limited (which is located in close proximity) and extensive experience of promoters in the automotive component industry. However, these ratings are constrained due to leveraged capital structure albeit adequate coverage indicators, intense competition in automotive component industry thus exerting pressure on margins, and exposure to cyclical nature inherent in auto industry.

The Stable outlook reflects the potential for revenue growth given the uptick in the auto industry in India and considering the expected benefits from ongoing capacity expansion and solar power projects, which are likely to support cost efficiency and profitability over the medium term.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in debt coverage ratios on a sustained basis. In particular, debt service coverage ratio to be greater than 1.40x on sustained basis.
- Effective working capital management with improvement in operating cycle and liquidity.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators.
- Any further increase in the operating cycle, which may adversely impact the company's liquidity position.
- Withdrawal of quasi equity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

• Locational advantage sustains revenues and cash flows

AAIL's manufacturing base in Aurangabad (Maharashtra) provides a strategic locational advantage over peers in Gujarat and Punjab, enabling lower logistics costs and better access to OEMs and distributors across southern and western India. The company's TOI grew by 2% y-o-y to Rs. 377.17 crore in FY25, supported by higher production volumes despite a slowdown in the CV segment. Margins improved with EBITDA up ~10% to Rs. 26.63 crore



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(7.06%), aided by efficient cost management and stability in raw material pass-through arrangements with OEMs. PAT also improved to Rs. 6.46 crore (1.71%) from Rs.5.49 crore (1.47%), while gross cash accruals remained stable at Rs. 12.06 crore.

Going forward, FY26 revenue growth is expected to be strong, driven by the reduction in GST rates on CVs (28% to 18%) effective September 22, 2025, and a favourable monsoon supporting rural demand for the same. Over the medium term, growth prospects are further supported by supply tie-ups with upcoming OEM units of JSW Motors, Toyota India, and Ather Energy in the Aurangabad region, leveraging AAIL's locational advantage to strengthen its revenue base and business profile.

- **Diversified revenue stream with presence in both domestic and export markets**

AAIL has a diversified geographical presence across both the domestic and export markets, thus insulating it to an extent against moderation in demand from any one market. Exports accounted for ~20.96% of its revenue in FY25 and the rest comprised of domestic sales. Furthermore, in export markets AAIL caters to diversified clientele across USA, Netherland, Germany, South Africa, Canada, Italy, Saudi Arabia, UK, Tanzania, Vietnam, Hungary and Poland. AAIL is further looking to diversify the geographical presence by adding more export regions in European Union.

- **Reputed and established clientele base**

The company's clientele consists of reputed names including Harbor Freight Tools (one of the largest retailers of hand tools in the US with over 1400 retail locations), Ashok Leyland Limited Volvo Eicher Commercial Vehicle Ltd, York Transport Equipment (India) Private Limited and Bajaj Auto Limited etc. The domestic clients have favorable credit profiles as reflected in their strong credit ratings. The overall large scale and credit profiles of clientele reduces counterparty risk to a significant extent.

- **Cost saving from installation of solar project**

The company has already installed rooftop solar panels with a total capacity of 2 MW at its forging and leaf spring manufacturing units in FY24, catering to a significant portion of their power requirements and resulting in power cost savings. Further, the company is in the process of setting up a 5 MW solar power plant at Malegaon, expected to be operational by



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November 2025. The combined capacity of 7MW is projected to meet nearly 75% of the company's total power requirement and is estimated to generate savings of approximately Rs.0.50 crore per month in power costs. This green initiative is expected to enhance cost efficiency while strengthening the company's sustainability profile.

- **Cost savings from sourcing steels from RL Steels and Energy Ltd**

While purchase of steel for leaf springs and certain forging products from group entity RL Steels is on arms' length basis, this arrangement leads to significant savings in transportation costs considering that RL Steels is also located Aurangabad a few kilometers from AAIL. RL Steels meets 16.37% of AAIL's total steel requirement. Additionally, purchase from RL Steels also leads to tighter control over quality of raw materials used in its products.

- **Extensive experience of promoters in the automotive component industry**

The promoters of Akar Auto Industries Limited (AAIL) have extensive experience in the auto component manufacturing industry spanning around three decades, which has enabled the company to establish and maintain a healthy relationship with the customers and suppliers. Promoters are well supported by an experience team of professionals.

Key Rating Weaknesses

- **Leveraged capital structure albeit adequate coverage indicators**

The capital structure of AAIL remains leveraged, though improved in FY25 on account of accretion to reserves and infusion of subordinated unsecured loans of Rs.4.93 crore from promoters, treated as quasi-equity. Consequently, the adjusted tangible net worth increased to Rs.54.95 crore as on March 31, 2025 from Rs.49.40 crore as on March 31, 2024. The adjusted overall gearing improved to 1.36x as on March 31, 2025 from 1.48x as on March 31, 2024. The company's leveraged position is reflected in TOL/ATNW which although improved to 3.28x from 3.38x over the same period, continued to remain elevated. Despite a rise in interest expenses, the interest coverage ratio remained comfortable at 2.06x in FY25 (2.14x in FY24). However, the DSCR moderated to 1.39x in FY25 (PY: 2.03x). Total Debt/GCA remained broadly stable at 6.20 years in FY25 against 6.29 years in FY24.



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- **Intense competition in automotive component industry thus exerting pressure on margins**

Intense competition due to the presence of other automotive component manufacturers, exerts pricing pressures, which would likely weigh on the company's operating margins. With increasing presence of domestic as well as international players in the automotive ancillary business, the competition had increased over the years. Nonetheless, AAIL's established relationship with its clients mitigates the risk to a certain extent.

- **Exposure to cyclicity inherent in auto industry**

The company's business is susceptible to inherent cyclicity in the automotive industry, linked to the performance of the economy. A significant portion of the company's revenues (derived from sale of leaf springs) is dependent on the commercial vehicle industry as it caters to clients such as VE Commercial Vehicles Ltd, Tata Motors, Ashok Leyland Ltd and York Transport (India). The CV industry in particular displays high cyclicity in revenues.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of Akar Auto Industries Limited is adequate marked by its expected gross cash accruals (expected to exceed Rs.12 crores annually) as against debt obligations from FY26 to FY28 (which range between ~Rs.6cr-Rs.7cr annually). At the same time, the company's bank limits are utilized to the extent of ~79.16% on an average for the period ended August 2025 indicating some liquidity cushion.



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About the Company

Incorporated in 1989, AAIL is engaged in the manufacture of hi- quality precision engineered forging components, hand tools, tool kits and leaf springs for major auto and non-auto OEMs. The installed capacity of its manufacturing unit is 36,840 MTPA. Its products are supplied to major OEMs domestically and exported to USA, Netherland, Germany, South Africa, Canada, Italy, Saudi Arabia, UK, Tanzania, Vietnam, Hungary and Poland. The company is listed on BSE.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2024	31-03-2025
	Audited	Audited
Total Operating Income	373.82	377.17
EBITDA	23.90	26.63
PAT	5.49	6.46
Total Debt	73.15	74.83
Adjusted Tangible Net Worth	49.40	54.95
EBITDA Margin (%)	6.39	7.06
PAT Margin (%)	1.47	1.71
Overall Gearing Ratio (x)	1.48	1.36
Interest Coverage (x)	2.14	2.06

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2025-2026)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023
					Date (January 03, 2025)	Date (December 04, 2023)	Date (November 04, 2022)
1.	Term Loans	Long Term	13.26	IVR BBB /Stable	IVR BBB- /Stable	IVR BBB- /Stable	IVR BBB- /Stable
2.	GECL	Long Term	3.01	IVR BBB /Stable	IVR BBB- /Stable	IVR BBB- /Stable	IVR BBB- /Stable



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Sr. No.	Name of Security/Facilities	Current Ratings (2025-2026)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023
					Date (January 03, 2025)	Date (December 04, 2023)	Date (November 04, 2022)
3.	Cash Credit	Long Term	33.75	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable
4.	PC/PCFC/FD B/FBE/BRD	Short Term	29.82	IVR A3+	IVR A3	IVR A3	IVR A3
5.	Letter Of credit	Short Term	15.50	IVR A3+	IVR A3	IVR A3	IVR A3
6.	Bank Guarantee	Short Term	5.00	IVR A3+	IVR A3	IVR A3	IVR A3

Analytical Contacts:

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About Infomerics:

Infomerics Valuation and Rating Ltd [Formerly Infomerics Valuation and Rating Private Ltd] (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	-	-	-	FY29	13.26	IVR BBB/Stable
GECL	-	-	-	FY26	3.01	IVR BBB/Stable
Cash Credit	-	-	-	-	33.75	IVR BBB/Stable
PC/PCFC/FD B/FBE/BRD	-	-	-	-	29.82	IVR A3+
Letter Of credit	-	-	-	-	15.50	IVR A3+
Bank Guarantee					5.00	IVR A3+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-akaraauto-nov25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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Annexure II

Akar Auto Industries Limited

November 11, 2025

Facility wise lender names are:

SI No.	Lender Name	Type of Facility	Nature	Rated Amount (Rs. Crore)
1.	Canara Bank	Term Loan	Long Term	9.34
3.	State Bank of India	Term Loan	Long Term	3.13
4.	HDFC Bank	Term Loan	Long Term	0.79
5.	Canara Bank	GECL	Long Term	3.01
7.	Canara Bank	Cash Credit	Long Term	14.09
8.	HDFC Bank	Cash Credit	Long Term	19.66
9.	State Bank of India	PC/PCFC/FDB/ FBE/BRD	Short Term	29.82*
10.	State Bank of India	ILC	Short Term	15.50
11.	Canara Bank	Bank Guarantee	Short Term	5.00**

*one way interchangeability from FB limit to Non-fund-based limit to the maximum of Rs. 5.00 crore.

**one way interchangeability from BG to LC