

Akar Auto Industries Ltd

June 09, 2026

Rating Action

Total Bank Loan Facilities Rated	Rs. 100.34 Crore	Regulator^
Long Term Rating	IVR BBB-/Negative (Rating Reaffirmed and outlook revised to Negative from Stable)	RBI
Short Term Rating	IVR A3 (Rating Reaffirmed)	RBI
^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.		

Refer Annexures for details of facilities/instruments, facility wise lender details, and detailed explanation of covenants.

Note: None of the Directors on Infomerics Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

Rationale

Infomerics Ratings has reaffirmed its ratings on bank facilities of Akar Auto Industries Limited (AAIL) and revised the outlook to Negative from stable. The ratings derive strength from diversified revenue stream with presence in both domestic and export markets, reputed and established clientele base, cost saving from installation of rooftop solar plant as well as savings from sourcing steel from associate company RL Steels and Energy Ltd. The ratings also consider the extensive experience of promoters in the automotive industry. However, these ratings are constrained due to significant decline in revenue and profitability in FY26 and Q4FY26, intense competition in automotive component industry thus exerting pressure on margins, exposure to cyclicity inherent in auto industry.

Outlook: Negative

The Negative Outlook factors in the persistent decline in the company's scale of operations and profitability, as evidenced by lower revenue and earnings in FY26 vis-à-vis FY25, reflected in consistent weakening in revenue and profitability trends in Q3 and Q4 FY26 on y-o-y basis. The company's performance in Q4FY26 in particular was impacted by shortage of LPG due to the on-going Iran-US war which resulted in shortage of LPG in the country. Considering that the company's furnaces are operated on LPG, its operations were partly disrupted in Q4FY26. The

company has now switched over to piped natural gas (PNG) due to which its operations are expected to normalise shortly. However, Infomerics notes that weak offtake from CV segment (where slowdown in demand is being experienced) and slow offtake of tool kits in export markets, particularly US could continue to weigh on the company's performance in FY27.

Analytical Approach

Approach	Comments
Consolidation/ Standalone	Standalone
Parent/ Group Support	NA

Key Rating Drivers with Detailed Description

Strengths

- **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 favourable credit profiles as reflected in their strong credit ratings. The overall large scale and credit profiles of clientele reduce 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 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.

Weaknesses

- **Significant decline in revenue and profitability in Q4FY26 and FY26.**

The company's operating performance witnessed moderation during FY26, marked by a decline in both revenue and profitability. Total operating income declined by 9.55% to Rs. 341.08 crore in FY26 from Rs. 377.10 crore in FY25, primarily due to lower sales volumes and subdued offtake from the domestic commercial vehicle (CV) segment and impact of higher US tariffs. On a quarterly basis as well, revenue declined by 15.61% and stood at Rs. 79.29 crore in Q4FY26 as against Rs. 93.96 crore in Q4FY25, while in previous quarter also, the revenues had declined 8.85%. There was PAT loss in both quarters along with significant decline in GCA. The performance in Q4FY26, in particular was impacted by shortage of LPG due to the on-going Iran-US war which resulted in shortage of LPG in the country. Considering that the company's furnaces are operated on LPG, its operations were partly disrupted in Q4FY26. The company has now switched over to piped natural gas (PNG) due to which its operations are expected to normalise shortly. However, Infomerics notes that weak offtake from CV segment (where slowdown in demand is being experienced) and slow offtake of tool kits in export markets, particularly US could continue to weigh on the company's performance in FY27.

The decline in revenues, coupled with pressure on operating margins, adversely impacted profitability on quarterly and annual basis. EBITDA declined by 27.18% to Rs. 19.41 crore in FY26 from Rs. 26.66 crore in FY25, with EBITDA margin moderating to 5.69% from 7.07% during the same period. Consequently, PAT witnessed a sharp decline of 85.72% and stood at Rs. 0.92 crore in FY26 as compared to Rs. 6.45 crore in FY25. On a quarterly basis, the company reported a net loss of Rs. 0.49 crore in Q4FY26 as against a profit of Rs. 1.24 crore in Q4FY25.

- **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.

Liquidity – Stretched

The liquidity position of Akar Auto Industries Limited is stretched marked by its gross cash accrual stood at Rs.7.24 crore 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.

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

- Significant decline 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.

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, Hungry and Poland. The company is listed on BSE.

Key Financial Indicators (Standalone):

For the year ended/ As on*	31-03-2024	31-03-2025	31-03-2026
	Audited	Audited	Audited
Total Operating Income	373.82	377.17	341.08
EBITDA	23.90	26.63	19.41
PAT	5.49	6.46	0.92
Total Debt	73.15	74.83	92.57
Tangible Net Worth (TNW)	49.40	54.95	50.71
EBITDA Margin (%)	6.39	7.06	5.69
PAT Margin (%)	1.47	1.71	0.27
Overall Gearing (times)	1.48	1.36	1.83
Interest Coverage (times)	2.14	2.06	1.64

*Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company

Applicable Criteria

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating outlook](#)

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

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

Status of non-cooperation with previous CRA: NA

Any other information: Na

Rating History for last three years

Sr. No .	Instrument s/ Facilities	Current Ratings (Year 2026-27)			Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26		Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24
					February 24, 2026	November 11, 2025	January 03, 2025	December 04, 2023
1.	Fund based facilities	LT	50.02	IVR BBB-/Negative	IVR BBB-/Stable	IVR BBB/Stable	IVR BBB-/Stable	IVR BBB-/Stable
2.	Non-fund-based facilities	ST	50.32	IVR A3	IVR A3	IVR A3+	IVR A3	IVR A3

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	Listing Status	Regulator [^]	Complexity Indicator
Term Loan	--	--	--	April 2029	9.34	IVR BBB-/Negative	--	RBI	Simple
Term Loan	--	--	--	April 30	3.13	IVR BBB-/Negative	--	RBI	Simple
Term Loan	--	--	--	April 2029	0.79	IVR BBB-/Negative	--	RBI	Simple
GECL	--	--	--	April 2029	3.01	IVR BBB-/Negative	--	RBI	Simple
Cash Credit	--	--	--	--	14.09	IVR BBB-/Negative	--	RBI	Simple
Cash Credit	--	--	--	--	19.66	IVR BBB-/Negative	--	RBI	Simple
PC/PCFC FDB	--	--	--	--	29.82	IVR A3	--	RBI	Simple

ILC	--	--	--	--	15.50	IVR A3	--	RBI	Simple
Bank Guarantee	--	--	--	--	5.00	IVR A3	--	RBI	Simple

^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/Len_Akar_Auto_Ind09_Jun26_f4bed04ba4.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: NA

Annexure 4: List of companies considered for Consolidated/Combined analysis: NA

Annexure 5: List of activities / instruments and names of regulators

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference Shares	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 lenders/Loans from Multilaterals	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	Borrowing programme ~	Refer foot note
15	Issuer Ratings #	Refer foot note
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts	SEBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) @	Investor-side Regulator such as IRDAI, PFRDA

Footnotes:

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

~ 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 may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), CRA shall separately capture the rated quantum details along with names of respective regulators.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

@ These ratings were assigned during regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side regulators have been included.

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