

## Kay Jay Forgings Limited

March 02, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	149.00	CARE A-; Stable	Reaffirmed
Short Term Bank Facilities	1.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings assigned to bank facilities of Kay Jay forgings Limited (KJFL) continue to derive strength from company's long track record of operations, experienced management team and its long and established business relationship with reputed original equipment manufacturers (OEMs). Ratings further continue to take comfort from its improved capital structure marked by overall gearing below unity in FY25, adequate liquidity position and healthy return indicators, supported by consistent cash flow generation. The ratings also take cognizance of steady improvement in the company's operational and financial performance, supported by healthy volumetric growth on account of improved demand from existing customers. However, ratings continue to remain constrained by high customer concentration risk, profitability margins susceptible to volatile raw material prices and cyclical nature of the auto component industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations to over ₹1000 crore through diversification to other OEMs.
- Improvement in total debt to gross cash accruals (TD/GCA) below 2.5x.
- Improvement in the capital structure with overall gearing below 0.50x respectively.

#### Negative factors

- Decline in scale of operations with profit before interest, lease, depreciation and tax (PBILDT) margin below 8% on a sustained basis.
- Significant debt-funded capex, resulting in deterioration of overall gearing exceeding 1.20x

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity shall sustain its operational and financial performance in the medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Long track record of operations with an experienced management team and resourceful promoters

KJFL has been promoted by Gopal Krishan Kothari, who has ~4 decades of industry experience and oversees the company's overall business operations. He is assisted by Naveen Behl (Executive Director), who has been involved in the company's day-to-day activities since its inception, and Amit Kothari (son of GK Kothari and joint Managing Director), who manages exports. Directors are assisted by a team of professionals with considerable experience in their respective domains. Promoters have infused need-based funds in the form of unsecured loans to support business requirements periodically. Unsecured loans outstanding from promoters and related parties stood at ₹25.68 crore, as on March 31, 2025 (PY: ₹24.77 crore).

##### Long and established relationship with clients; albeit high customer concentration

KJFL specialises in manufacturing forged and machined auto components primarily used in crankshaft assembly. The company has a long-standing relationship with TVS Motor Company Limited (rated 'CARE AA+; Stable/ CARE A1+'), which is its main customer and accounts for ~68% of total sales in FY25 (refers to the period April 01 to March 31). KJFL enjoys significantly high share of business with TVS of ~90% for forged and machined components supplied. The company has also been in association with Hero Motocorp Limited since inception and makes direct and indirect sales through Bajajsons Limited and Bajaj Motors

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

Limited. A significant portion of KJFL's products cater to the two-wheeler segment, contributing 78% of its TOI in FY25. While sales are skewed to few customers and segments, KJFL has mitigated these risks through repeat business from OEMs and its strong relationship with TVS over the years, while expanding its production portfolio and increasing the content per vehicle. KJFL is engaged in direct exports, which accounted for ~9% of its total income in 9MFY26 (FY25: 5%), to diversify its revenue streams. The company continues to expand into other segments to further mitigate segment concentration risk.

### **Sustained growth in scale of operations with stable profitability margins**

The company reported year-on-year (y-o-y) growth of ~12% in total operating income (TOI) to ₹750.67 crore in FY25 PY: ₹672.48 crore). This growth was primarily driven by increased demand in the two-wheeler segment, particularly from its major customer, TVS Motor Company Limited (TVSM), which holds ~19% market share in this segment. Volumetric growth of components supplied by KJFL emanating from SOB of ~90% with TVS. Further, company's PBILDT margin stood stable at 9.58% (PY: 9.66%). During 9MFY26 (refers to April 01 to December 31), the company achieved TOI of ₹687.96 crore and PBILDT margin of 9.69%.

### **Comfortable return ratios and improved capital structure**

The company's return ratios and coverage indicators continued to remain comfortable, supported by a sustained increase in scale and profitability over the last five fiscals. Interest coverage ratio improved from 4.90x in FY24 to 5.92x in FY25 and TD/GCA from 3.31x in FY24 to 2.62x in FY25. ROCE also improved to 16.30% (PY: 14.76%) in FY25 as a result of increased profitability and reduced debt levels. The company's capital structure improved as marked by overall gearing below unity at 0.74x as on March 31, 2025 (PY: 1.17x), aided by scheduled term-debt repayment and the reclassification of ₹20 crore of unsecured loan as quasi-equity from FY25 onwards in line with lender stipulations and the company's undertaking.

### **Key weaknesses**

#### **Risk associated with fluctuating raw material prices**

KJFL operates in an industry where raw material cost is a major cost driver, (constituting ~55-60% of TOI) and has a significant bearing on the operating margin. Key raw materials for forging are round and cold-rolled (CR) steel sheets, prices of which have been fluctuating due to volatility in global commodity markets. The company has established raw material sourcing arrangement primarily through local suppliers (99.8% of total purchases). KJFL manufactures many critical components and is able to pass on changes in material prices to its customers with a lag of a quarter, limiting fluctuation risk.

#### **Cyclicality nature of the automotive industry**

The automobile industry is cyclical in nature and automotive component suppliers' sales is directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is competitive with presence of many players in the organised and unorganised sector. While the organised segment majorly caters to the OEM segment, the unorganised segment mainly caters to the replacement market and tier II and tier III suppliers. The company's product portfolio caters solely to the automobile industry. The company's growth is directly linked to the domestic automotive industry, which in turn, is cyclical and depends on the growth of the economy. The company's ability to further diversify its product portfolio across segments including electric vehicles remains a key monitorable.

#### **Liquidity: Adequate**

The company's liquidity position remains adequate, supported by sufficient cash accruals to its repayment obligations, along with the availability of unutilised bank limits and free cash balances. KJFL is expected to generate gross cash accruals of over ₹55 crore in FY26 against scheduled term-loan repayments of ₹17.31 crore, providing sufficient coverage. The company undertakes annual capex of around ₹25-30 crore towards routine maintenance and capacity expansion, funded through a mix of internal accruals and debt, with similar outlays projected over the near term. Additionally, the company has planned a capex to install a ground-mounted solar power plant at an estimated project cost of ₹28 crore, expected to be completed in the first half of FY27. The same will be funded through a debt of ₹20 crore and is expected to yield annual savings of ₹5-6 crore for the company. Further, its working capital utilisation remained comfortable at ~45% for the 12 months ended December 2025.

### **Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

### **About the company and industry**

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Incorporated in 1983, KJFL promoted and managed by GK Kothari. The company is engaged in manufacturing forged and machined auto components, mainly for OEMs in the two-wheeler segment. Small portion of total operating income (~5% in FY25) is derived from exporting four-wheeler components. Initially, KJFL only supplied forged components, and has now diversified to entire assembly systems. Crankshaft assembly (an engine component for two-wheelers) is a major revenue contributor accounting for 25-30% of company's TOI. The company has six manufacturing facilities (four in Ludhiana, Punjab and two in Hosur, Tamil Nadu), with capacity currently utilised at 85-90%.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	December 31, 2025 (UA)
Total operating income	672.48	750.67	687.96
PBILDT*	64.99	71.90	66.63
Profit after tax (PAT)	24.13	29.01	30.19
Overall gearing (x)	1.17	0.74	NA
Interest coverage (x)	4.90	5.92	7.79

A: Audited UA: Unaudited; Note: these are latest available financial results

\*PBILDT: Profit before interest, lease rentals, depreciation and tax

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31/03/2030	46.50	CARE A-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	102.50	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	1.00	CARE A2+

### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	46.50	CARE A-; Stable	-	1)CARE A-; Stable	-	-

						(03-Feb-25) 2)CARE BBB+; Stable (02-Apr-24)		
2	Non-fund-based - ST-BG/LC	ST	1.00	CARE A2+	-	1)CARE A2+ (03-Feb-25) 2)CARE A2+ (02-Apr-24)	-	-
3	Fund-based - LT-Working Capital Limits	LT	102.50	CARE A-; Stable	-	1)CARE A-; Stable (03-Feb-25) 2)CARE BBB+; Stable (02-Apr-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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