Investorstack Research Report

Rico Auto Industries Limited

What Rico Auto Industries Limited does

Rico Auto Industries Limited is an automotive component manufacturer that designs, develops, and produces high-precision machined aluminium and ferrous castings and assemblies. Incorporated in 1983, the company operates 16 manufacturing plants in India, employs over 6,000 people, and sells to customers across four continents. Its products go into passenger vehicles, two-wheelers, commercial vehicles, and increasingly into hybrid and electric vehicle platforms. Rico also supplies components to Indian Railways (via RDSO approvals) and the Ministry of Defence, and has recently begun selling the CNC machine tools it previously built only for internal use.

The company's core capability is vertically integrated manufacturing—from casting and tooling through machining and assembly—with in-house R&D, die-making, and special-purpose machine building. That integration took decades to build and is a barrier for competitors: Rico can prototype, test, validate, and mass-produce complex components under one roof, which shortens development cycles and reduces supply risk for OEMs.

Rico exists as a standalone supplier because automotive OEMs increasingly outsource non-core component manufacturing to Tier-1 specialists who can deliver scale, quality, and cost efficiency. The company's 16 plants are strategically located near customer hubs (Gurugram, Dharuhera, Bawal, Manesar, Pathredi, Sanand, Halol, Chennai, Hosur) and its warehousing network in Germany, France, and the US provides last-mile logistics for export customers.

Business segments

Aluminium business (88% of revenue)

This segment designs, develops, manufactures, and supplies high-precision aluminium die-cast components. End markets include passenger vehicles, two-wheelers, commercial vehicles, and hybrid/EV platforms. The aluminium business is the company's largest revenue contributor and includes components like engine blocks, transmission housings, oil pumps, water pumps, and electric motor housings. Major customers in this segment include Maruti Suzuki, Toyota, Hero MotoCorp, and BMW.

Ferrous business (12% of revenue)

This segment focuses on high-precision iron cast and machined components. End markets include passenger vehicles, commercial vehicles, railways, and industrial applications. The ferrous business includes bearing adapters, LC cast iron inserts (track components for railways), and other assemblies approved by RDSO. This segment also produces components for defence applications like containerised shooting ranges. The ferrous foundry had historically low capacity utilization (around 50% in early FY26) but is expected to reach 90% as railway and export orders ramp up.

Products and business detail

Engine and transmission components

Rico manufactures oil pumps, water pumps, transmission housings, cases, covers, engine blocks, and related assemblies. These are supplied to Maruti Suzuki, Toyota, Mahindra, Tata Motors, and Hero. For Maruti Suzuki

specifically, Rico is a single-source supplier for critical components like oil pumps and water pumps on newer models, producing about 3,000-4,000 pieces per day. The company has also won business from Maruti for engine blocks that Maruti previously produced in-house but is now outsourcing due to capacity constraints.

Braking system components

Rico supplies components for braking systems to Knorr-Bremse. This is a relatively new but growing customer relationship, with supplies initially for export and now expanding domestically. The components are high-precision machined parts that meet stringent safety standards.

Hybrid and electric vehicle components

The company produces components for hybrid and EV platforms including electric motor housings, differential cases, and transmission components. Customers include Toyota, Maruti Suzuki, and others. In FY26, hybrid and EV components contributed around 7% of revenue (down from 9% a year earlier, as ICE vehicle growth outpaced EV/hybrid). However, new orders from Toyota, Maruti Suzuki, Hero, Bosch, Cummins, and Knorr-Bremse for hybrid and EV programs are expected to push this share higher.

Railway components

Rico produces bearing adapters, LC cast iron inserts (track components), and other assemblies for Indian Railways. The company started as an indirect supplier to railway sub-vendors and has now received direct RDSO approvals for several components. In FY26, railway revenue was only about INR 3-4 crores, but management targets INR 100 crores in FY27 as more approvals come through and dispatches ramp up. The railway business uses existing ferrous foundry capacity with minimal new investment.

Defence components

Rico manufactures Indoor Containerised Shooting Ranges (via transfer of technology from DRDO) and baffle shooting ranges. Defence revenue was around INR 20-30 crores in FY26, with a target of INR 50 crores in FY27. The company also has a Defence Industrial License and is empanelled with multiple defence PSUs. The defence business is slower than railways due to longer testing and approval cycles.

CNC machine tools

Rico has been building its own CNC machines (14-axis, 16-axis, 5-axis, 8-axis) for internal use for many years. With excess capacity created, the company has started selling these machines externally. The first external sale was concluded recently, and management expects to disclose revenue from this business in subsequent quarters.

Customers

Rico's customer base includes nearly every major automotive OEM in India and several global names. The list from the annual report and concalls includes:

- Maruti Suzuki (domestic, largest customer)
- Toyota (including subsidiaries Aisin and Musashi)
- Hero MotoCorp
- BMW
- Cummins

- Knorr-Bremse
- Bosch
- Tata Motors
- Mahindra & Mahindra
- Renault Nissan
- Honda
- Bajaj Auto
- GKN
- Volvo
- Daimler (new export business)
- Indian Railways (via RDSO)
- Ministry of Defence, India

The buying relationship is characterized by long development cycles (2-3 years), significant customer investment in tooling and dies (often funded by the customer), and high switching costs. Once a component is validated and production begins, it is difficult for an OEM to change suppliers because of the certification work, production trials, and risk of supply disruption. This gives Rico sticky revenue once programs launch.

For many critical components, Rico is the single source supplier. Maruti Suzuki, for example, sources oil pumps and water pumps exclusively from Rico for newer models. Toyota, Aisin, and Musashi also source hybrid and EV components from Rico as a sole supplier for certain programs.

Customer concentration is a risk—Maruti Suzuki, Toyota, and Hero together account for a large share of revenue—but the company mitigates this by diversifying across customers and increasing share of business with each. The company also has pass-through mechanisms for raw material prices (aluminium, copper) and has historically been able to negotiate tariff pass-through with US customers.

The company's export business (16% of FY26 revenue) is split roughly 50% to the US and 50% to Europe. Exports are expected to grow 32% in FY27 and double over two years, driven by new programs for Cummins, Knorr-Bremse, GKN, Daimler, and BMW.

Competitive landscape

The auto components industry in India is fragmented, with several large Tier-1 suppliers and hundreds of smaller players. Rico competes in two distinct sub-segments: aluminium die casting and ferrous casting/machining.

Aluminium die casting competitors: Endurance Technologies is the most direct peer—both companies produce high-pressure die-cast aluminium components for two-wheelers and passenger vehicles. Endurance has a larger scale and higher margins, but Rico's strength lies in its fully machined assemblies (casting plus machining) rather than just raw castings. Other competitors include Lumax Industries (auto lighting and components) and Minda Corporation (diverse auto components).

Ferrous casting competitors: Bharat Forge is a dominant player in ferrous forging and casting, but Rico's ferrous business is smaller and focused on niche railway and defence components where it has RDSO and DRDO approvals. Sundram Fasteners competes in export-oriented precision components.

Rico wins where it can offer a complete vertically integrated solution: design, tooling, casting, machining, assembly, and logistics. Customers value the single-point accountability and shorter development timelines. The company also wins business by using its existing capacity at low utilization—selling components at competitive prices to fill spare capacity, then gradually moving up the value chain to higher-margin products.

Where Rico loses is on pricing power in commoditized components. Two-wheeler components, in particular, are a low-margin business that Rico uses as a capacity filler. The company has on occasion reduced supply to two-wheeler customers when it needed capacity for higher-margin passenger vehicle or export programs.

Competition is intense in aluminium die casting, where many Tier-1 suppliers have invested in large-tonnage machines and compete for the same OEM programs. However, Rico's ability to machine assemblies (not just castings) and its long-standing relationships with Maruti Suzuki and Toyota provide some insulation.

Industry

Demand drivers

The Indian automotive components industry is driven by several structural tailwinds. Passenger vehicle production in India reached an all-time high of approximately 5.5 million units in FY26, growing about 9% year-on-year. Two-wheeler production volumes grew about 12% to approximately 26.6 million units, surpassing the previous industry peak. Electric passenger vehicle penetration increased to about 4.2% in FY26 (from 2.6% in FY25), and electric two-wheeler penetration improved to about 6.5% (from 5.4%).

Industry growth expectations for FY27: passenger vehicles 5%-7%, two-wheelers 6%-8%, commercial vehicles 4%-6%, three-wheelers 9%-10%. EV penetration in two-wheelers is expected to reach 7%-8%.

Government initiatives supporting the sector include the Production-Linked Incentive (PLI) scheme for automotive (allocation of approximately INR 2,818.9 crore for FY25-26, extended until March 31, 2028), the PM E-DRIVE scheme (USD 1.3 billion outlay for EV adoption), GST 2.0 rollout, and the India-U.S. trade agreement providing concessional or zero-duty access for select components.

The China+1 trend is a specific demand driver for Indian auto component exporters. Global OEMs are actively diversifying their supply chains away from China, and Indian suppliers with proven quality and scale are benefiting. Rico's management noted that "companies are approaching us for developing components which they used to earlier buy from China."

India's place in the global supply chain

India's auto component exports are small relative to global trade (less than 1.5% of the total market), but the country is gaining share as a manufacturing destination due to cost competitiveness, engineering talent, and improving quality standards. India offers manufacturing cost savings of 10%-25% compared to Europe and Latin America. Rico's export business (16% of FY26 revenue) is primarily to the US and Europe, and the company offers warehousing and logistics support in those markets to serve OEMs directly.

Import substitution

A significant growth avenue for Rico is import substitution—replacing components that OEMs previously imported from Japan, China, or Europe. For example, Maruti Suzuki is transferring engine block production from its own plant to Rico because its internal capacity is constrained. Similarly, Toyota and its affiliates (Aisin, Musashi) are shifting component production from Japan to India, and Rico is one of the beneficiaries.

Regulation

The automotive components industry is subject to emission and safety regulations that change over time. The shift toward BS-VI norms and now toward CAFE (Corporate Average Fuel Efficiency) standards drives demand for lighter, more efficient components. Electric vehicle mandates and incentives (PM E-DRIVE, state-level EV policies) create opportunities for hybrid and EV component suppliers. The PLI scheme for automotive provides direct incentives for domestic value addition.

Labour code changes have impacted costs: Rico reported an INR 11 crore impact in FY26 from labour code implementation, with partial recovery from customers under negotiation.

Cyclicality

The auto industry is inherently cyclical and sensitive to economic conditions, interest rates, fuel prices, and consumer sentiment. However, the industry has been in a multi-year upcycle driven by pent-up demand, infrastructure spending, and replacement cycles. Export demand is exposed to geopolitical risks and trade policy (US tariffs on Chinese goods actually helped Rico because customers paid the tariff and continued buying from India, but the uncertainty remains). Raw material price volatility (aluminium, copper) affects margins, though pass-through mechanisms exist with a quarterly lag. The company is renegotiating monthly settlements to reduce the lag impact.

Growth triggers

The company has a pipeline of roughly 40 new program launches, with new orders worth approximately INR 2,500 crores over a five-year program life. Revenue from these launches will start flowing from the second half of FY27 and peak by FY28. (Q4 FY26 concall, June 2026)

Exports to the US and Germany are expected to grow 32% in FY27, and management expects this export business to double over the next two years. (Q4 FY26 concall, June 2026)

The railway business is targeting about INR 100 crores in revenue in FY27, up from just INR 3-4 crores in FY26, as RDSO approvals for multiple components have been received and supplies have started directly. (Q4 FY26 concall, June 2026)

Defence revenue is targeting roughly INR 50 crores in FY27, from around INR 20-30 crores in FY26, driven by shooting ranges and other defence portfolio additions. (Q4 FY26 concall, June 2026)

The Hosur greenfield plant becomes operational from September 2026, catering to hybrid and EV programs for Toyota, AISIN, and other OEMs in southern India. The Tamil Nadu government has approved a subsidy of around INR 39 crores, accruing over 10 years. (Q4 FY26 concall, June 2026)

The company is exploring monetization of 26-27 acres of prime land in Gurugram, targeting net proceeds of over INR 1,000-1,200 crores for shareholders. Management says a deal could close in six months if the right price is offered. (Q4 FY26 concall, June 2026; Q1 FY26 concall, August 2025)

CNC machine tools, previously built only for captive use, have now recorded their first external sale. This is a new revenue stream, with disclosures expected from the next quarter. (Q4 FY26 concall, June 2026)

Key risks

Geopolitical tensions and trade policy shifts. Exports to the US and Europe form a meaningful part of revenue. US tariff increases (currently around 28% on auto components for some products) could impact competitiveness or

customer demand. So far, customers have agreed to pass through tariffs, but any further escalation or recession in those markets could slow export growth or lead to order cancellations.

Raw material price volatility and lag in customer pass-through. Aluminium and copper prices have been volatile. While the company has pass-through mechanisms, settlements are quarterly, creating a lag. This caused an INR 19 crore impact in FY26 (INR 11 crores in Q4 alone). Management is renegotiating monthly settlements with customers, 75% by value have agreed, but the risk of further lags remains if commodity prices spike again.

Customer concentration and program ramp-up delays. Maruti Suzuki, Toyota, and Hero MotoCorp are key customers. If they delay or cancel new model launches, the company's revenue growth path could be disrupted. Single-source supply positions help retain business, but the company's future growth is heavily dependent on the timely launch of 40 programs across domestic and export customers.

Delay in RDSO approvals or railway procurement. Railway revenue targets hinge on timely approvals from the Research Design and Standards Organisation. Earlier approvals took longer than expected, causing the FY26 railway revenue to miss its target by a wide margin (INR 3-4 crores vs. a guided INR 60-70 crores). Future revenue of INR 100 crores in FY27 depends on continued approvals and order placement from Indian Railways.

Labour code implementation costs. New labour code regulations added INR 11 crores in costs in FY26 (INR 3.6 crores in Q4 alone). While the company is negotiating with customers to pass through these costs, full recovery is not guaranteed, which could weigh on margins.

Walk the talk

Management set ambitious targets for FY26, particularly in new businesses and margins. Actual outcomes reveal a mixed record.

Railway and defence revenue target was missed by a wide margin.

In the Q2 FY26 concall (November 2025), Arvind Kapur stated:

> *"we are on track to achieve approximately INR2,600 crores of sales by the year-end. and also we will do about INR60 crores to INR70 crores of revenue from railways in financial year '26."*

The Q4 FY26 outcome (June 2026) was that railway revenue was just INR 3-4 crores and defence was around INR 20-30 crores. Management explained:

> *"we had just started and the revenue was just about INR 3 crores to INR 4 crores last year" and "defense, we are still struggling around INR 20 crores to INR 30 crores."*

The delay was attributed to RDSO approvals taking longer than anticipated.

EBITDA margin guidance of 12-13% by Q4 FY26 was not achieved.

In the Q2 FY26 concall, management reiterated:

> *"we are on track to report 12%, 13% EBITDA margins in Q4 of FY '26."*

Reported EBITDA margin for Q4 FY26 was 7.1%. After adjusting for non-recurring items (labour code impact and raw material lag settlement), the adjusted margin was 9.8%, still well below the guided 12-13%. For the full year, adjusted EBITDA margin was 10.25% vs. guided levels.

Management attributed the miss to one-time items and said renegotiations with customers for monthly raw material settlements would improve margins in FY27.

Revenue target of INR 2,600 crores was nearly achieved.

In Q2 FY26, the company guided for approximately INR 2,600 crores in annual revenue. The actual consolidated revenue for FY26 was INR 2,477 crores, the highest ever for the company, up 12% year-on-year. While slightly below the target, management noted that new program launches were on track and revenue should cross INR 3,000 crores in FY27.

Export growth to the US met expectations.

In the Q2 FY26 concall, Arvind Kapur said:

> *"our sales are going to be increasing by almost 40% to 50% to the U.S. this year."*

In the Q4 FY26 concall, exports as a percentage of total revenue stood at 16% vs. 15% in the prior year, with management stating:

> *"our export to the U.S. and in Germany is growing despite of ongoing geopolitical issues."*

The export growth was in line with their guidance, though management added that it would have been higher without tariff-related headwinds.

Scenarios

Bull case

Automotive demand in India stays strong, with passenger vehicle and two-wheeler volumes exceeding expectations. The 40 new programs ramp up on schedule, and the Hosur plant starts production in September 2026 without delays. Exports to the US and Germany grow 32% in FY27 and double over two years as the China+1 shift accelerates. Railway revenue crosses INR 100 crores and defence reaches INR 50 crores, adding high-margin revenue. The raw material lag issue is fully resolved with monthly settlements, and labour code costs are passed through, allowing EBITDA margins to expand towards 12-13%. Land monetization of the Gurugram property yields INR 1,000-1,200 crores, which is used to repay debt and reward shareholders. The CNC machine tools business gains traction, adding a new growth leg.

Base case

Domestic auto volumes grow at mid-to-high single digits as industry forecasts suggest. New programs drive revenue growth of around 20% in FY27, with exports growing 20-25% but not the guided 32% due to lingering tariff uncertainty. Railway and defence together contribute INR 100-120 crores, with railway achieving INR 70-80 crores as RDSO approvals come through gradually. EBITDA margins improve to 10.5-11% as raw material pass-through moves to monthly basis for most customers, but labour code costs are only partially recovered. Land monetization remains uncertain; management holds out for a higher price. Hosur plant ramps up in the second half of FY27, with full revenue impact in FY28.

Bear case

Global trade tensions escalate, with the US imposing additional tariffs on auto components or a recession in key export markets, causing exports to decline. Key OEM customers like Maruti Suzuki or Toyota delay or cut production due to supply chain disruptions or weak demand. RDSO approvals for new railway components stall, limiting railway revenue to INR 20-30 crores again. Defence orders remain lumpy. Raw material prices spike again, and the monthly settlement renegotiation fails for some customers, causing further lag losses. Labour code costs are not passed through, compressing margins below 9%. Land monetization fails to materialize as the real estate market weakens. Debt remains elevated, and the Hosur plant adds fixed costs before revenue ramps up, straining cash flows. The stock trades at a discount to peers as credibility on execution is damaged.