LGB Forge Limited

Instruments	Amount (Rs Crore)	Rating Action
Term Loans	17.5	[ICRA]AA-(SO) (stable); withdrawn
LT- Fund based	17.0	[ICRA]AA-(SO) (stable)/re-affirmed
ST- Non Fund based	10.0	[ICRA]A1+ (SO) / re-affirmed

ICRA has re-affirmed the rating outstanding on the Rs. 17.0 crore fund based facilities of LGB Forge Limited ("LGBFL"/ "the Company") at [ICRA]AA-(SO) [pronounced ICRA double A minus (Structured Obligation)][†]. The outlook on the rating is 'stable'. For the short term non fund based facilities totalling Rs. 10 crore, ICRA has re-affirmed the rating at [ICRA]A1+ (SO) [pronounced ICRA A one plus (Structured Obligation)]. The letter SO in parenthesis suffixed to a rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

ICRA has also withdrawn the [ICRA]AA-(SO) rating outstanding against the company's Rs. 17.5 crore term loans based on the company's request as the said facilities have been fully repaid and there are no amounts outstanding against the same.

The rating is solely based on the corporate guarantee extended by L G Balakrishnan and Bros Limited (LGB) (rated [ICRA]AA-/Stable/[ICRA]A1+) and reflect the financial strength of the guarantor. The assigned rating addresses the servicing of the rated facilities to happen as per the terms of the underlying loan and the guarantee arrangement and the rating assumes that the guarantee will be duly invoked, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower.

Company Profile

LGB Forge Limited ("LGBFL"/ "the Company"), incorporated in FY2009, is a relatively small scale forging unit primarily engaged in the manufacturing of forged (range of hot, cold and warm forgings) and machined automotive components. In January-08, LG Balakrishnan & Bros Limited (LGB) de-merged its forging division into a separate company, LGB Forge Limited w.e.f. April 01, 2008 to increase focus on the forging operations. LGBFL continues to derive operational, management and financial support from LGB. LGB holds 19.3% stake in LGBFL. The product portfolio of LGBFL consists of auto electric and transmission line components marketed to established tier I suppliers including Denso India and GKN driveline. Domestic market forms the bulk of the Company's business presently and the company has manufacturing facilities located at Coimbatore and Mysore. The forging operations of LGBFL are supported by in-house machining and heat treatment facilities.

The company reported a net loss of Rs. 2.3 crore on an operating income of Rs. 88.9 crore during FY2016 as against a net loss of Rs. 0.1 crore on an operating income of Rs. 81.2 crore during FY2015.

About the Guarantor

Established in 1937 by Mr. LRG Naidu, L G Balakirshnan & Bros Limited (LGB), started out as a partnership firm operating bus transport routes in Tamil Nadu. LGB, the flagship company of the group, is the largest manufacturer of automotive chains in India and it supplies to all major domestic Original Equipment Manufacturer (OEMs) in the two wheeler industry. Over the years, through a re-structuring exercise, the company has exited non-core businesses like textiles and re-treading and had de-merged the forging and sold the industrial chains divisions into separate entities.

On a standalone basis, the company reported a net profit of Rs. 57.5 crore on an operating income of Rs. 1,090.1 crore as against a net profit of Rs. 64.4 crore on an operating income of Rs. 1,048.3 crore.

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