

February 11, 2025

Inalfa Gabriel Sunroof Systems Pvt. Ltd.: [ICRA]A-(Stable)/[ICRA]A2+; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term / Short Term-Fund Based/Non Fund Based - Working Capital Facilities	50.00	[ICRA]A-(Stable)/ [ICRA]A2+; assigned
Long Term / Short Term-Fund Based/Non Fund Based - Unallocated Limits	50.00	[ICRA]A-(Stable)/ [ICRA]A2+; assigned
Total	100.00	

*Instrument details are provided in Annexure-1

Rationale

The ratings assigned to the bank lines of Inalfa Gabriel Sunroof Systems Pvt. Ltd. (IGPL) favourably consider the strong parentage of the company as it is a wholly-owned subsidiary of Gabriel India Limited (GIL), one of the leading auto component suppliers for automotive suspension systems in the domestic market. IGPL, which manufactures automotive sunroofs for passenger vehicles, benefits from the technological backing of the Inalfa Group, one of the global leaders in the automotive sunroofs manufacturing. ICRA notes the comfortable leverage and coverage indicators of IGPL, as reflected by an interest coverage of 6.3 times for H1 FY2025 and DSCR of 4.8 times as of September 30, 2024. Besides, financial support from the parent entity, GIL, in the form of short-term debt (Rs. 50.9 crore as of September 30, 2024) has ensured limited dependence on external borrowings to meet IGPL's working capital funding requirements. The entity remains long-term debt free, providing further comfort to its capital structure and liquidity profile. The ratings also favourably consider IGPL's established business relationships with reputed automobile original equipment manufacturers (OEM), resulting in high revenue visibility for the company.

The ratings strengths are partially offset by IGPL's nascent stage of operations and thereby, a modest net worth position, resulting in high TOL/TNW, which stood at 5.4 times as of September 30, 2024. However, given the swift ramp-up in the company's scale of operations, coupled with comfortable profitability, the net worth position is expected to improve in the near-to-medium term. IGPL's operations also remain exposed to the inherent cyclicity of the domestic automotive sector. Further, IGPL's customer concentration currently remains high with revenues from Hyundai Motor India Limited (Hyundai) presently accounting for the major share of its revenues. However, the same is likely to reduce gradually, going forward, as the company added Kia India Private Limited (Kia) to its clientele in FY2025. IGPL's sole supplier status for selective models of auto OEMs like Hyundai and Kia are likely to provide some comfort to IGPL's operational profile against the customer concentration risk, going forward.

The Stable outlook on the long-term rating reflects ICRA's opinion that IGPL will continue to demonstrate a healthy revenue growth momentum, coupled with comfortable profitability, backed by criticality of the components supplied and limited competition in the domestic automotive sunroof market.

Key rating drivers and their description

Credit strengths

Strong parentage for being a wholly-owned subsidiary of GIL – Being a wholly-owned subsidiary of GIL, the company benefits from a strong parentage, as reflected by an established track record of financial support from the parent company, and GIL's

willingness to extend further financial support to IGPL in case of exigencies. ICRA expects IGPL's long track record of operations as well as its established relationships with reputed automotive clients to provide operational synergies to IGPL, going forward.

Technological support from the Inalfa Group, supporting its business prospects – IGPL benefits from the technological assistance received from the Inalfa Group, which is one of the leading global manufacturers of automotive sunroofs. Backed by technological assistance from Inalfa, IGPL has demonstrated a swift ramp-up in its scale of operations within the first year of operations, with the revenue growth momentum likely to be maintained over the near-to-medium term.

Established business relationships with reputed auto OEMs resulting in high revenue visibility – IGPL demonstrates a high revenue visibility, backed by its established relationship with reputed auto OEMs such as Hyundai and Kia. Given the increase in orders from these auto OEMs, the company is undertaking capacity expansion, which is expected to support its revenue growth over the medium term.

Comfortable leverage and coverage indicators on account of comfortable profitability – Backed by a fairly comfortable profitability, as reflected by an operating profit margin (OPM) of 16.2% in H1 FY2025 (provisional financials), IGPL demonstrates fairly comfortable leverage and coverage indicators. IGPL reported an interest coverage of 6.3 times and DSCR of 4.8 times as of September 30, 2024. Financial assistance from the parent entity, resulting in limited dependence over external debt to meet the working capital funding requirements of IGPL also supports its credit profile.

Credit challenges

Nascent stage of operations; steady improvement envisaged over the near-to-medium term – Established in April 2023, IGPL is currently in its nascent stage of operations. The company's net worth position is modest, resulting in a relatively high TOL/TNW, which stood at 5.4 times and a gearing of 3.0 times as of September 30, 2024. However, ICRA draws comfort from the swift ramp-up in the scale of operations coupled with a comfortable profitability demonstrated by IGPL in its second year of operations (FY2025), with the expectations that the same would be maintained, going forward.

Exposed to high customer concentration – IGPL's revenue profile shows a high degree of customer concentration, with revenues from Hyundai dominating its revenue pie. However, ICRA notes the addition of Kia in IGPL's clientele in FY2025. Likely increasing revenue share from Kia along with new client addition may moderate the customer concentration risk over the medium term.

Operational profile exposed to the inherent cyclicity associated with domestic automotive industry – IGPL's business operations remain exposed to the inherent risks associated with the cyclical nature of this industry. Limited revenue share from exports exposes the company to a high degree of geographical concentration, with the major portion of revenue generated from the domestic market. However, high revenue visibility on account of established relationships with key clients provides some comfort against the said risks.

Liquidity position: Adequate

IGPL's liquidity is adequate, supported by annual cash flow of Rs. 40-50 crore from operations. It is further supported by undrawn working capital limit of ~Rs. 16 crore and free cash and bank balances of Rs. 2.4 crore as on September 30, 2024. The capex is expected to remain sizeable, at Rs. 40-50 crore per annum, over the near term, which will be primarily funded through internal accruals and bank borrowings. The debt repayment obligations presently remain nil over the near term, as the company is long-term debt free.

Rating sensitivities

Positive factors – ICRA could upgrade IGPL's ratings if the entity significantly improves its scale of operations while maintaining healthy profitability and comfortable liquidity profile.

Negative factors – ICRA could downgrade IGPL's ratings if a sustained deterioration in its revenues and earnings stresses its liquidity position. Higher-than-anticipated capex outlay with lack of commensurate returns, impacting the liquidity position,

will also be a credit negative. Deterioration in the credit profile of the parent entity and/or weakening in the linkage between IGPL and the parent entity could put pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group Support	The ratings assigned to IGPL factor in the likelihood of its parent entity, Gabriel India Limited, extending financial support to IGPL out of the need to protect its reputation from the consequences of a Group entity's distress. GIL has already provided financial support to IGPL in the form of short-term loans, highlighting the strategic importance of IGPL to GIL.
Consolidation/Standalone	The ratings are based on the standalone financials of Inalfa Gabriel Sunroof Systems Pvt. Ltd.

About the company

Incorporated in April 2023, IGPL manufactures automotive sunroofs for passenger vehicles. With its plant situated in Santhavelur (Tamil Nadu), the company has existing manufacturing capacity of 1,85,000 units per annum. The company caters to two auto OEMs in the domestic market – Hyundai and Kia. As the company's existing manufacturing line is nearing its optimum utilisation level, it is setting up a new production line, which is expected to be commercialised within the next one year.

IGPL is a wholly-owned subsidiary of GIL, the flagship company of the Anand Group. GIL caters to various segments of the automotive industry, such as passenger cars, utility vehicles, commercial vehicles and two wheelers. GIL is a prominent manufacturer of ride control products in India, including shock absorbers, struts and front forks.

Key financial indicators

IGPL – Standalone	FY2024 Audited	H1 FY2025 Provisional
Operating Income (Rs. crore)	60.0	185.1
PAT (Rs. crore)	-5.5	16.8
OPBDIT/OI (%)	1.8%	16.2%
PAT/OI (%)	-9.2%	9.1%
Total Outside Liabilities/Tangible Net Worth (times)	8.7	5.4
Total Debt/OPBDIT (times)	91.4	2.1
Interest Coverage (times)	0.3	6.3

PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Source: IGPL, ICRA Research

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	February 11, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Working Capital Facilities	Long-term/ Short-term	50.00	[ICRA]A- (Stable)/ [ICRA]A2+	-	-	-	-	-	-
Unallocated Limits	Long-term/ Short-term	50.00	[ICRA]A- (Stable)/ [ICRA]A2+	-	-	-	-	-	-

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term / Short Term-Fund Based/Non Fund Based - Working Capital Facilities	Simple
Long Term / Short Term-Fund Based/Non Fund Based - Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Working Capital Facilities	NA	NA	NA	50.00	[ICRA]A- (Stable)/ [ICRA]A2+
NA	Unallocated Limits	NA	NA	NA	50.00	[ICRA]A- (Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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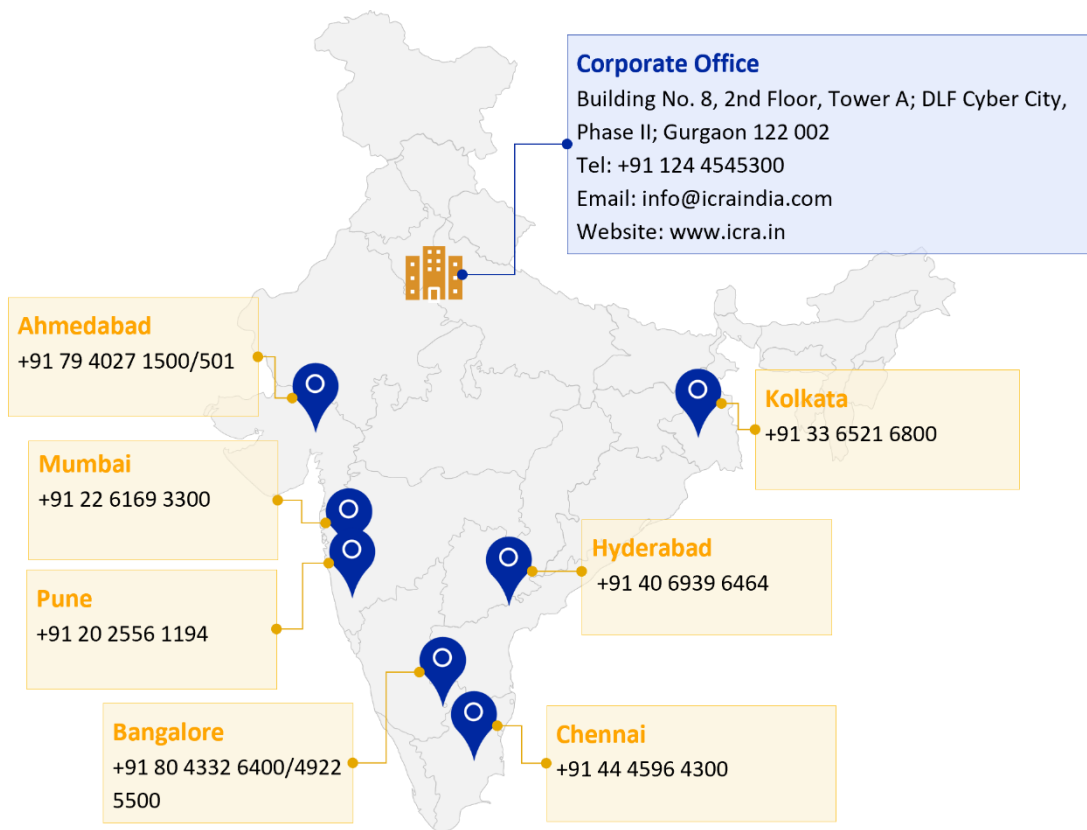
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