

April 03, 2025

Prabha Automotive Engineers Pvt Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Term Loans	27.00	27.00	[ICRA]BBB+(Stable); Reaffirmed
Short-term Fund-based Limits	115.20	115.20	[ICRA]A2; Reaffirmed
Total	142.20	142.20	

**Instrument details are provided in Annexure-I*

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Prabha Automotive Engineers Private Limited (PAEPL), Prabha Auto Products Private Limited (PAPPL) and Prabha Industries (PI) [collectively referred to as Prabha Group/the Group], given their common promoters/management and significant operational and financial linkages. The Group is in the process of amalgamating the three entities in the next 9-12 months to simplify the structure and unlock synergies.

The reaffirmation of ratings outstanding on the bank lines of Prabha Group considers ICRA's expectation of a stable financial performance in the near to medium term, supported by its healthy business profile and comfortable debt metrics. Prabha Group is one of the oldest suppliers to Ashok Leyland Limited (ALL, rated [ICRA]AA+(Stable)/[ICRA]A1+) and has healthy share of business with the original equipment manufacturer (OEM) for front-end structure (FES), cabins, load bodies, tipper bodies, bus cowls and fuel and oil tanks. Its well-equipped in-house capabilities and proximity to ALL's plants provide competitive advantages. Apart from ALL, it caters to established OEMs in the commercial vehicle (CV) and passenger vehicle (PV) spaces and has been able to add new customers/businesses periodically. The Group has healthy scale of operations and reported revenues of Rs. 1,333.9 crore in FY2024 and Rs. 1,084.8 crore in 9M FY2025. Further, the Group's capital structure and coverage metrics remain comfortable, aided by healthy accruals amid moderate capex and low working capital intensity.

The ratings, however, remain constrained by the Group's high customer concentration with ~55% (in 9M FY2025) of its revenues derived from a single customer, ALL. While the Group is also gradually diversifying its sales to other customers, the extent of reduction in concentration over the medium term remains to be seen. In term of segments, CV sales constituted ~87% of Prabha Group's revenues in 9M FY2025. Like other players with sizeable CV exposure, Prabha Group's earnings are also vulnerable inherent cyclicality in the domestic CV industry. Further, it has moderate margins owing to its limited value addition.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile, supported by its healthy business profile, cash accruals and adequate liquidity position.

Key rating drivers and their description

Credit strengths

Established relationship with OEMs – Prabha Group is one of the oldest suppliers to ALL and has a healthy share of business with the OEM for FES, cabins, load bodies, tipper bodies, bus cowls and fuel and oil tanks. Further, Prabha Group has set up its manufacturing plants close to ALL's units for logistical ease and uninterrupted supply. Out of the seven locations where ALL has its facilities across India, Prabha Group has its units in four locations across Hosur, Alwar, Chennai and Pantnagar. Its well-equipped in-house capabilities and proximity to ALL's plants provide competitive advantages. Apart from ALL, it caters to established OEMs in the CV and PV spaces and has been able to add new customers/businesses periodically.

Healthy scale of operations and comfortable debt metrics – The Group has healthy scale of operations and reported revenues of Rs. 1,333.9 crore in FY2024 and Rs. 1,084.8 crore in 9M FY2025. Further, the Group’s capital structure and coverage metrics remain comfortable, aided by healthy accruals amid moderate capex and low working capital intensity. The Group’s gearing (total debt/total net worth) stood at 1.3 times as on March 31, 2024, while its debt service coverage ratio (DSCR) stood at 2.8 for FY2024. The debt metrics are expected to remain comfortable going forward as well.

Credit challenges

Moderate margins – The Group’s margins have been moderate historically owing to limited value addition. The Group reported operating profit margin of 5.6% in FY2024 and 4.0% in 9M FY2025. ICRA expects the Group’s margins to remain range-bound over the medium term, although there could be some improvement from the periodic cost-optimisation measures adopted, higher operating leverage with improvement in scale and synergies from the proposed amalgamation, once completed.

High customer concentration – The Group derived ~55% of its 9M FY2025 revenues from supplies to ALL. Thus, its performance is dependent on ALL and loss of business to competition, if any. However, the company’s established relationship with ALL for over four decades and repeat businesses, provide comfort. The Group is also gradually diversifying its sales to other customers. However, the extent of reduction in concentration over the medium term remains to be seen.

Vulnerability of revenues and earnings to inherent cyclicality in the CV industry – CV sales, which constituted ~87% of Prabha Group’s revenues in 9M FY2025, remains inherently cyclical in nature, with industry volumes strongly correlated to the level of economic activity, industrial growth and infrastructure investments. Other factors like regulatory changes (emission norms, scrappage policy, etc.) and stiff competition, leading to aggressive discounting practices, also impact volumes of the industry players. However, the company is gradually increasing its revenue proportion from the non-CV segments.

Liquidity position: Adequate

Prabha Group’s liquidity position remains adequate, supported by healthy anticipated cash accruals, buffer of Rs. 27.7 crore in working capital lines and free cash and bank balances of Rs. 8.8 crore as on December 31, 2024. Prabha Group’s average working capital utilisation stood at 38% of the sanctioned limits for the last 12 months. The Group has debt repayments of Rs. Rs. 20.9 crore in FY2026 and Rs. 16.5 crore in FY2027 on existing and sanctioned facilities. Further, the Group has a capex of Rs. 30.0 crore in FY2026 and Rs. 20.0 crore in FY2027, to be funded through internal accruals. Overall ICRA expects the Group to be able to meet its medium-term commitments through internal sources of cash and yet be left with an adequate buffer in working capital lines and cash/liquid investments surplus.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the Group demonstrates a sustained improvement in its scale of operations and debt protection metrics. Specific credit metrics that could lead to an upgrade include Total debt/OPBITDA below 2.3 times on a sustained basis.

Negative factors – Pressure on the Group’s ratings could emerge from weakening of business linkages with ALL, sharp deterioration in the earnings or significant rise in net debt on a sustained basis, either due to capex or working capital stretch.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of Prabha Automotive Engineers Private Limited (PAEPL), Prabha Auto Products Private Limited (PAPPL) and

Prabha Industries (PI) (collectively referred to as Prabha Group), given their common promoters/management and significant operational and financial linkages.

About the company

Prabha Automotive Engineers Private Limited manufactures front-end structure (FES), cabins, load bodies, tipper bodies, bus cowl and fuel and oil tanks of commercial vehicles primarily for Ashok Leyland Limited (ALL). PAEPL's manufacturing facilities are located in Hosur (Tamil Nadu), Alwar (Rajasthan), Pantnagar (Uttarakhand) and Oragadam (Chennai), near ALL's facilities.

PAEPL is a part of the Prabha Group, which has two other entities – Prabha Auto Products Private Limited (involved in cabin, tipper, load bodies and other structural parts for ALL and manufacturing of stamped parts for other OEMs) and Prabha Industries (a partnership firm involved in manufacturing of dies and stamped parts for auto OEMs and ancillaries). The Group is looking to amalgamate the three entities in the next 9-12 months to simplify the structure and unlock synergies. Prabha Group is promoted by Mr. Kubher and his son, Mr. Vinod Kubher. The company is closely held by the promoters and their family.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	1,365.2	1,333.9
PAT	36.6	23.4
OPBDIT/OI	6.3%	5.6%
PAT/OI	2.7%	1.8%
Total outside liabilities/Tangible net worth (times)	2.7	2.8
Total debt/OPBDIT (times)	1.9	2.8
Interest coverage (times)	4.7	3.3

Amount in Rs. crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. Crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
			April 03, 2025	-	Feb 29, 2024	Dec 29, 2022	
1 Term Loans	Long-term	27.0	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	
2 Fund Based	Short-term	115.2	[ICRA]A2	-	[ICRA]A2	[ICRA]A2	
3 Unallocated	Long-term /Short-term	-	-	-	-	[ICRA]BBB (Stable) / [ICRA]A2	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Term Loan	Simple
Short-term - Fund Based	Simple

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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2022	8.75%	FY2028	27.00	[ICRA]BBB+ (Stable)
NA	Fund Based	NA	-	NA	115.20	[ICRA]A2

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Prabha Automotive Engineers Private Limited	NA	Consolidated
Prabha Auto Products Private Limited	NA	Consolidated
Prabha Industries	NA	Consolidated

Note: ICRA has taken a consolidated view of the above mentioned companies while assigning the ratings

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