

July 17, 2025

L.G. Balakrishnan & Bros Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based Facilities	150.00	200.00	[ICRA]AA (Stable); reaffirmed/assigned for enhanced amount
Short Term – Non-Fund Based Facilities	100.00	100.00	[ICRA]A1+; reaffirmed
Fixed Deposit Programme	40.00	40.00	[ICRA]AA (Stable); reaffirmed
Total	290.00	340.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings on the bank lines and fixed deposit programme of L.G. Balakrishnan & Bros Limited (LGB) considers the company's strong business and financial profiles and ICRA's expectation of a sustained financial performance over the near-to-medium term, supported by its dominant market position in the automotive chains segment, significant replacement presence and strong liquidity. The company has a market share of over 60% in the domestic two-wheeler (2W) chain segment, with a healthy share of business across 2W original equipment manufacturers (OEMs). Further, it derives over 30% of its revenues from the domestic aftermarkets, thus insulating its revenues to an extent from any downturn in the domestic 2W space. LGB's operating margins continued to be healthy at 16.1% in FY2025 (previous year [PY]: 16.8%) and it has remained net debt negative, supported by ample liquidity on its balance sheet, with unencumbered cash and bank balances of Rs. 689.5 crore as on March 31, 2025. ICRA expects LGB's financial profile and liquidity position to remain strong, going forward as well.

The company derived over 80% of its revenues from the domestic 2W industry in FY2025, exposing it to any slowdown in the segment. Over the medium term, the company's revenues could be vulnerable to risks arising from the impending electrification of vehicles, due to minimal usage of chains in electric 2Ws (e-2W) in comparison to internal combustion driven 2Ws. However, its efforts to diversify products including towards industrial chains, generation of a sizeable portion of revenues from the replacement segment and anticipated e-2W penetration of only ~25% of new vehicle sales by FY2030 mitigate the risk to an extent. While LGB's margins are susceptible to variation in commodity prices, the company's practice of negotiation-based pass-throughs for raw materials price increases, has historically capped the moderation in margins to a large extent. Further, LGB has benefitted from improved operating leverage and periodic cost optimisation measures, and these are likely to continue, going forward.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile and debt metrics, supported by its robust business profile, strong liquidity and absence of debt-funded capex plans, going forward.

Key rating drivers and their description

Credit strengths

Dominant market position in domestic 2W chains – LGB manufactures and markets chains and allied components (accounted for 77% of the operating income (OI) in FY2025) primarily for 2Ws and metal forming products (accounted for 23% of OI in FY2025) for 2Ws, passenger vehicles (PVs) and commercial vehicles (CVs). The company is an established player in the domestic

2W chain segment with a market share of over 60%. It is a tier-I supplier and has a healthy share of business across 2W OEMs with no OEM constituting more than 15% of LGB's top line. Gradually improving demand for 2Ws augurs well for the company.

Significant presence in the replacement segment – The company sells chains and sprockets under the brand, Rolon, in the replacement market and derives over 30% of its revenues from aftermarkets. This insulates its revenues from downturns/ lower production volumes in the domestic 2W space, to an extent. Further, domestic aftermarket products command better margins than the domestic OEM segment.

Strong financial profile, characterised by healthy cash position and robust debt coverage metrics – LGB's revenues grew by 9.9% in FY2025 and its operating margins continued to be healthy at 16.1% in FY2025 (PY: 16.8%), supported by its relatively high value addition, higher share of replacement revenues, operating leverage benefits and cost-optimisation measures. As a result of its healthy accruals, moderate working capital requirements and limited capex over the years, LGB has remained net debt negative since FY2021. Its debt protection metrics continue to be strong, and the interest coverage stood at 40.8 times in FY2025 (PY: 48.8 times). The company also had unencumbered cash and bank balances of Rs. 689.5 crore and adequate buffer of Rs. 65.6 crore against the sanctioned working capital lines as on March 31, 2025. ICRA expects LGB's financial profile to remain strong, going forward.

Credit challenges

Impending electrification of automotive industry may impact revenues – The move towards electrification of automobiles could impact the company's revenues over the medium-to-long term owing to minimal usage of chains in electric 2Ws in comparison to internal combustion driven 2Ws. However, the company has diversified its product portfolio by re-entering the industrial chains segment. Further, LGB has acquired LGB Steel Private Limited (formerly known as RSAL Steel Pvt. Ltd.) in January 2024 and has widened its product portfolio to include cold rolled close annealed (CRCA) strips, partly used for captive consumption. A sizeable portion of revenues from the replacement segment and anticipated e-2W penetration of only ~25% of new vehicle sales by FY2030 mitigate the risk to an extent.

High dependence on 2W industry – LGB derives over 80% of its revenues from the domestic 2W industry, thereby making its revenues susceptible to any demand slowdown in the segment. However, the company's established presence, low client concentration and sizeable revenues from the replacement segment mitigate the risk to an extent.

Margins susceptible to increase in raw material prices – LGB's margins are susceptible to variations in commodity prices. However, the company's practice of negotiation-based pass-throughs for raw materials price increases, has historically capped the moderation in margins. Also, LGB has benefitted from improved operating leverage and periodic cost-optimisation measures, and these are likely to continue, going forward,. The company's margins would also be susceptible to any unfavourable movements in forex, although it has not been impacted over the last few years as it is a net exporter.

Environmental and social risks

Environmental considerations – LGB, being an auto component supplier, remains exposed to climate-transition risks because its automotive OEM customers' manufacturing products are used across different fuel powertrains. Accordingly, the prospects for LGB are linked to the ability of its customers to meet tightening emission requirements. The company also remains exposed to tightening environmental regulations regarding waste and pollution control norms, which can lead to an increase in the operating costs and new capacity instalment costs. However, LGB has been taking steps to minimise its carbon footprint by enhancing its reliance on renewable sources and other energy saving efforts such as adoption of energy-efficient fixtures /equipment and water recycling.

Social considerations – Social considerations for LGB relate primarily to maintaining healthy industrial relations and product safety. Attracting and nurturing skilled manpower are critical as it seeks to keep pace with innovation and technological changes. On the product front, vehicle recalls by OEMs because of defective auto parts could create additional cost burden and liabilities. The company is also exposed to changing consumer preferences, including but not restricted to increasing

awareness of the potential environmental damage from emissions, shift towards EVs, usage of sustainable materials and societal trends like a preference for ride sharing.

Liquidity position: Strong

LGB’s liquidity is strong, supported by healthy cash flow from operations of around Rs. 261.1 crore, and unencumbered cash and bank balances of Rs. 689.5 crore as on March 31, 2025. The company has adequate buffer in working capital lines with average unutilised limits of Rs. 65.6 crore in the 12-month period ended in April 2025. Going forward, LGB has minimal repayment obligations of Rs. 5.4 crore in FY2026, Rs. 4.2 crore in FY2027 and Rs. 35.8 crore in FY2028 for its existing term loans and fixed deposits. Although the company has significant capex plans of Rs. 250.0-300.0 crore per annum between FY2026 and FY2028, predominantly for product diversification and capacity enhancement. The same is likely to be funded by internal accruals and existing sources of liquidity. Overall, ICRA expects LGB to meet its medium-term commitments through internal sources of cash and yet be left with sufficient cash surplus.

Rating sensitivities

Positive factors – ICRA could upgrade LGB’s long-term rating if the company demonstrates a significant growth in its scale of operations along with a sustained improvement in profitability, and product diversification. Specific metrics that could lead to an upgrade would be RoCE improving above 25% on a sustained basis.

Negative factors – Pressure on LGB’s ratings could arise if the company’s debt levels increase significantly, resulting in a deterioration of total Debt/OPBDITA to more than 1.5 times on a sustained basis, along with a material depletion of cash and cash equivalents. Any significant decrease in the top line owing to the electrification of vehicles could also exert pressure on the ratings.

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 considered the consolidated financials of L.G. Balakrishnan & Bros Limited. Details are provided in Annexure-II.

About the company

LGB is among the largest manufacturers of 2W automotive chains in India (marketed under the brand, Rolon). It derived 77% of its revenues in FY2025 from chains and allied products and the rest from the metal forming segment. In terms of the business segments, 2W accounts for over 80% of its consolidated revenues. The company has two subsidiaries, LGB Steel Private Limited, which manufactures CRCA strips used for captive consumption by LGB, and LGB USA Inc., which manufactures fine blanking products. LGB (standalone) accounted for 92.9% of the consolidated revenues and 72.4% of the consolidated debt in FY2025. The company has 37 manufacturing facilities across Tamil Nadu, Maharashtra, Uttarakhand, Karnataka, Haryana, Rajasthan and Puducherry in India and one facility in the US, at the consolidated level.

Key financial indicators (audited)

L.G. Balakrishnan & Bros Limited (consolidated)	FY2024	FY2025
Operating income	2,346.0	2,578.3
PAT	271.5	302.1
OPBDIT/OI	16.8%	16.1%
PAT/OI	11.6%	11.7%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	0.3	0.4
Interest coverage (times)	48.8	40.8

Amounts 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

	Type	Current rating (FY2026)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. Crore)	Date & Rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
			July 17, 2025	July 29, 2024	July 28, 2023	July 07, 2022	June 13, 2022
1 Fund based facilities	Long term	200.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2 Non-fund based facilities	Short term	100.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3 Fixed Deposit programme	Long term	40.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
4 Unallocated Limits	Long term	-	-	-	-	-	[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based facilities	Simple
Short term – Non fund based facilities	Very Simple
Fixed Deposits	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	Long term – Fund based facilities	NA	NA	NA	200.00	[ICRA]AA(Stable)
NA	Short term – Non fund based facilities	NA	NA	NA	100.00	[ICRA]A1+
NA	Fixed Deposits	NA	NA	NA	40.00	[ICRA]AA(Stable)

Source: LGB

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

Annexure II: List of entities considered for consolidated analysis

Company name	LGB ownership	Consolidation approach
L.G. Balakrishnan & Bros Limited	100.00% (rated entity)	Full consolidation
LGB USA, Inc	96.00%	Full consolidation
LGB Steel Private Limited	100.00%	Full consolidation
GFM Acquisition LLC [^]	98.47% by LGB USA, Inc	Full consolidation
GFM LLC [^]	100.00% by GFM Acquisition LLC	Full consolidation

Source: LGB [^]step down subsidiaries

Note: ICRA has taken a consolidated view of the parent (LGB) and its subsidiaries while assigning the ratings

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