December 26, 2025

Somic India Private Limited: Ratings upgraded to [ICRA]A+(Stable)/[ICRA]A1+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term –Fund-based/non-fund based –Working capital facilities	31.75	-	-
Long-term/Short-term –Fund-based/non-fund based -Working capital facilities	5.00	35.00	[ICRA]A+(Stable)/[ICRA]A1+; upgraded from [ICRA]A(Stable)/[ICRA]A1
Total	**36.75**	**35.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings upgrade factors in the sustained improvement in the scale of operations and cash accruals achieved by Somic India Private Limited (Somic India) over the past few fiscals. The entity's healthy operating performance is expected to continue over the medium term, aided by its stable operational profile and its strong parentage. Continued access to technical assistance from its promoter, Somic Ishikawa Inc., Japan (Somic), and strong relationships of the promoter with global auto original equipment manufacturers (OEMs) continue to support Somic India's business prospects. Established in 1993, Somic India has a proven operational track record in the auto ancillary industry with long relationships with its customers (Maruti Suzuki India Limited [MSIL], and JTEKT India Limited [JTEKT], among others). Further, the ratings continue to favourably factor in the company's strong financial profile, characterised by no debt on its books (apart from lease liabilities) and strong cash and liquid investments (approximately Rs. 101 crore as of March 31, 2025).

The underlying demand for the passenger vehicle industry has remained strong over the past few years, aiding volumes. Even as the growth for the PV industry moderated in FY2025 (due to high base effect), Somic India recorded a moderate 7.8% growth in revenues on a YoY basis, which stood at Rs. 738.5 crore in FY2025.

Somic India's operating margin improved to 10.9% in FY2025 from 9.5% in FY2024, aided by cost control measures and an increase in the operating leverage with volume growth. Going forward, the OPM is expected to be largely stable. Further, return indicators of the company also continue to remain healthy, with the company reporting an RoCE of 28.8% in FY2025. The return indicators are expected to remain healthy with moderate capex plans, going forward.

ICRA notes that in September 2025, the ZF Group, which previously held a 50% stake in Somic India, completed its exit through a stake sale to Somic Ishikawa. The ZF Group was instrumental in Somic India gaining business from key customers such as Tata Motors Limited, Mahindra & Mahindra Limited and Hyundai Motors India Limited. As a part of the exit, there is a three year non-compete clause, wherein ZF cannot be engaged in sale of similar products in the Indian market. Despite exit, the ZF Group will continue to provide technical support for existing products. Additionally, Somic India has successfully developed its own design capabilities over the years, thereby reducing dependency on external technical support. As such, ICRA does not expect exit of the ZF Group to materially impact the business prospects of the company over the medium term.

The ratings remain constrained because of Somic India's high segment and client concentration risks with the company deriving most of its revenues from the PV segment and 70% of its revenues in FY2025 emanating from two customers, MSIL and JTEKT. Nevertheless, the risk is partially mitigated by Somic India's long relationships with key OEMs having strong presence in the PV segment, along with its healthy share of business. The ratings also factor in the vulnerability of earnings to the inherent cyclicity of demand in the Indian automotive industry.

The Stable outlook on the long-term rating reflects ICRA's opinion that Somic India will continue to earn steady business from its customers, given the established relationships. Aided by steady supplies, the company is expected to maintain a comfortable credit profile.

Key rating drivers and their description

Credit strengths

Strong technical and operational support from parent entity – Somic India enjoys access to design and technology transfer support from its parent entity, Somic Ishikawa (which has a strong presence in the global automotive industry), which helped it secure new businesses from the subsidiaries of global OEMs operating in India. In addition, the parent entity has aided in the company's financial flexibility, reflected in the guarantees provided by them to obtain credit limits.

Healthy financial risk profile and strong liquidity – Somic India's financial risk profile remains healthy, characterised by a strong capital structure (no external debt on its books as of March 31, 2025, apart from lease liabilities) and healthy coverage indicators. Healthy cash reserves of around Rs. 101 crore as on March 31, 2025 provide additional comfort. The liquidity profile is also supported by the financial flexibility in the form of unutilised working capital limits from banks.

Credit challenges

Exposed to high segment and client concentration risks – The PV segment generated most of the company's revenues in FY2025 (more than 95%), leading to high segment concentration risk. The company's business prospects are largely restricted to the PV segment, with supplies to the commercial vehicle (CV) segment limited to small CVs (less than 2 tonnes). Somic India's PV segment largely depends on two customers, MSIL and JTEKT (together drove ~70% of revenues in FY2025). The client and segment concentration risks are, however, partially mitigated by the company's strong share of business in various product categories and its established relationships with its customers, having strong presence in the PV segment. Additionally, the company has a demonstrated track record of securing incremental business from its clients over the years. While Somic India's focus on diversifying its customer profile is likely to help moderate the client concentration level to an extent over the medium-to-long term, the revenue contribution of MSIL and JTEKT is expected to remain at significant levels.

Revenue growth prospects in international markets remain limited; exposed to cyclicality in domestic market – Over the years, Somic India's export revenues have remained muted, with the domestic market generating most of its revenues. The parent company has various JVs across different countries, which limits the parent's interest in providing export business to the company. The export business gained by the parents are largely given to its JV companies present in the respective countries from where the business is generated. Due to this reason, despite being economical in producing automotive components, the export business for the company has remained muted over the years. As its revenues are derived entirely from the automotive segment, Somic India's revenues and earnings are vulnerable cycles in the Indian auto industry, as seen in the past. While the management is focussed on expanding Somic India's revenues from the export markets, a material diversification is only likely to happen over the medium-to-long term.

Liquidity position: Strong

Somic India's liquidity profile remains strong, characterised by expectations of healthy cash flow from operations of around Rs. 70 crore, significant cash and liquid investments (Rs. 101.1 crore as on March 31, 2025) and unutilised working capital facilities of Rs. 35.0 crore. The company has no debt repayment obligations and has moderate capex plans of Rs. 25-30 crore in FY2026, which are expected to be funded through internal accruals.

Rating sensitivities

Positive factors – A material diversification of its clientele would be seen as a credit positive for the company. Also, a rating upgrade might be triggered if it can record a significant increase in revenue and profitability on a sustained basis, leading to an improvement in its return indicators, while maintaining a healthy liquidity profile.

Negative factors – A negative rating action could be triggered if there is any significant impact on cash accruals or a deterioration in its working capital cycle, weakening the company's financial and/or the liquidity profile. Specific credit metrics that could trigger ratings downgrade would be Total Debt/OPBDITA of more than 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Somic India was incorporated in 1995 as Sona Somic Components Limited (SSCL) as a joint venture between Sona Koyo Steering Systems Limited (SKSSL) and Somic Ishikawa Inc. (Somic), Japan. In 1998, ZF Lemforder Metallwaren AG (ZLM), Germany joined as the third joint venture partner and the company became Sona Somic Lemforder Components Limited (SSL). In November 2010, Somic Engineering (Japan) also infused equity into the Group, increasing the stake of the Somic Group to 50% in the company. These tie-ups have helped the company expand its footprint as it can cater to both Japanese as well as non-Japanese customers in India.

In April 2012, the Sona Group exited from the company after selling stake held by its Group company, Sona Investments Private Limited, to ZF India Private Limited (ZF Group Company). In September 2025, the ZF Group exited its investment in Somic India through a stake sale to Somic Ishikawa, Japan. Consequently, the company is now held entirely by the Somic Group.

Somic India manufactures ball joints for steering systems and suspension arms mainly for passenger vehicles. Somic India has three manufacturing facilities located in Gujarat, Gurgaon, and Chennai with machinery largely imported from Japan. The company had a manufacturing facility in Rudrapur (for TML's Ace), which was shut down in 2016 and the machinery was shifted to the Gurgaon plant. The company's production method is based on the Toyota Production System (TPS) for lean manufacturing, learnt from its Japanese partner.

Key financial indicators (audited)

Somic India Components Private Limited	FY2024	FY2025
Operating income	685.2	738.5
PAT	38.9	51.3
OPBDIT/OI	9.5%	10.9%
PAT/OI	5.7%	6.9%
Total outside liabilities/Tangible net worth (times)	0.6	0.5
Total debt/OPBDIT (times)	0.1	0.1
Interest coverage (times)	160.8	98.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

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					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Dec 26, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based /Non-fund Based –Working capital	Short Term	-	-	Dec 16, 2024	[ICRA]A1	Oct 20, 2023	[ICRA]A1	Aug 18, 2022	[ICRA]A1
Fund based /Non-fund Based –Working capital	Long Term / Short Term	35.00	[ICRA]A+(Stable) /[ICRA]A1+	Dec 16, 2024	[ICRA]A(Stable) /[ICRA]A1	Oct 20, 2023	[ICRA]A(Stable) /[ICRA]A1	Aug 18, 2022	[ICRA]A(Stable) /[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/short-term –Fund-based/Non-fund Based –Working capital	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	**Fund-based/Non-fund Based –Working capital**	NA	NA	NA	35.00	[ICRA]A+(Stable)/[ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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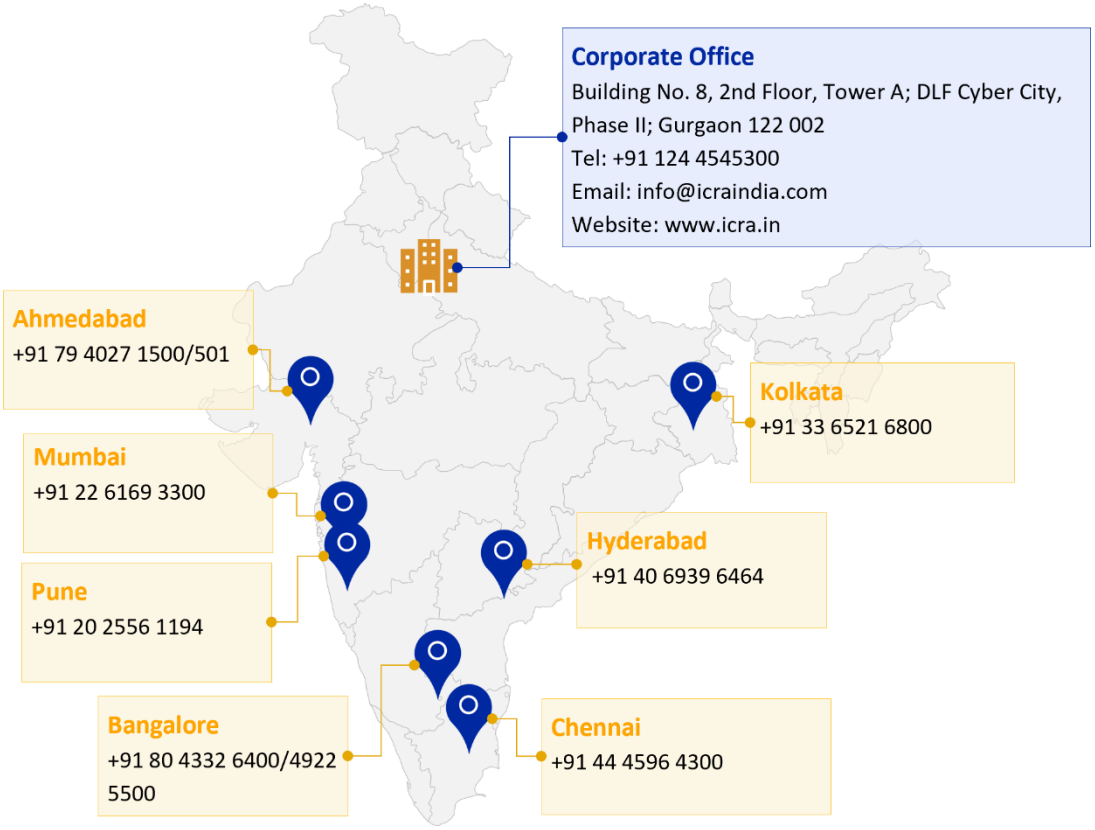

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