

April 06, 2026

Prabha Automotive Engineers Limited: Ratings reaffirmed and Outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term Loans	27.00	26.41	[ICRA]BBB+(Positive); Reaffirmed; outlook revised to Positive from Stable
Short term – Fund based facilities	115.20	115.20	[ICRA]A2; Reaffirmed
Total	142.20	141.61	

*Instrument details are provided in Annexure-I

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Prabha Automotive Engineers Limited (PAEL), Prabha Auto Products Private Limited (PAPPL) and Prabha Industries (PI) (collectively referred to as Prabha Group), given their common promoters and management and significant operational and financial linkages. The Group is in the process of amalgamating the three entities by H1 FY2027 to simplify the structure and unlock synergies.

The revision in outlook on the long-term rating on the bank lines of Prabha Group to Positive considers ICRA's expectation of a strengthening financial performance in the near-to-medium term, supported by its healthy business profile and deleveraging efforts, leading to improving debt metrics. It is one of the oldest suppliers to Ashok Leyland Limited (ALL, rated [ICRA]AA+(Stable)/[ICRA]A1+) and has a robust share of business with the original equipment manufacturer (OEMs) for front-end structure (FES), cabins, load bodies, tipper bodies, bus cowl 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 a healthy scale of operations and reported revenues of Rs. 1,306.1 crore in FY2025 and Rs. 1,106.2 crore in 9M FY2026. Further, its capital structure and coverage metrics remain comfortable, aided by comfortable accruals amid moderate capital expenditure (capex) and low working capital intensity.

The ratings, however, remain constrained by the Group's high customer concentration with approximately 61% of its revenues derived from a single customer, ALL, in 9M FY2026. However, it is taking steps to gradually diversify its sales to other customers as well over the medium term. In term of segments, CV sales constituted around 85% of Prabha Group's revenues in 9M FY2026. Like other players with sizeable CV exposure, the Groups' earnings are also vulnerable to the inherent cyclicality in the domestic CV industry. Further, it has moderate margins with operating profit margins in mid-single digits, owing to its limited value addition, although some improvement is expected with the proposed amalgamation and elimination of common overheads.

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 cowl and fuel and oil tanks. Further, it has set up 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, the Group 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 a healthy scale of operations and reported revenues of Rs. 1,306.1 crore in FY2025 and Rs. 1,106.2 crore in 9M FY2026. Further, its capital structure and coverage metrics remain comfortable, aided by comfortable accruals amid moderate capex and low working capital intensity. The Group's gearing (total debt/total net worth) stood at 0.9 times as on March 31, 2025, while its debt service coverage ratio (DSCR) stood at 3.9 times for FY2025. The debt metrics are expected to continue to be comfortable going forward as well.

Credit challenges

Moderate margins – The Group's margins have been moderate historically, owing to limited value addition. It reported operating profit margins of 5.9% in FY2025 and 4.0% in 9M FY2026. 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 as well as higher operating leverage with improvement in scale and synergies from the proposed amalgamation, once completed.

High customer concentration – The Group derived 61% of its 9M FY2026 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 the presence of repeat business provide comfort. Further, the Group is also gradually diversifying its sales to other customers.

Vulnerability of revenues and earnings to inherent cyclicality in the CV industry – CV sales, which constituted 85% of Prabha Group's revenues in 9M FY2026, remain inherently cyclical in nature, with industry volumes strongly correlated to the level of economic activity, industrial growth and infrastructure investments. Other factors such as regulatory changes (emission norms, scrappage policy, etc.) and stiff competition, resulting in aggressive discounting practices, also impact volumes of the industry players. However, the company is gradually increasing its revenue proportion from non-CV segments.

Liquidity position: Adequate

Prabha Group's liquidity position remains adequate, supported by healthy anticipated cash flow from operations of Rs. 45.0-50.0 crore, buffer of Rs. 43.6 crore in working capital lines and free cash and bank balances of Rs. 15.7 crore as on December 31, 2025. The Group has debt repayments of Rs. 16.1 crore in FY2027 and Rs. 11.7 crore in FY2028 on existing and sanctioned facilities. Further, it has planned capex of Rs. 20.0-25.0 crore p.a. over the next two to three years, 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 surplus.

Rating sensitivities

Positive factors – The ratings would be upgraded if there is a sustained improvement in volumes and earnings of the Group, leading to improvement in credit metrics.

Negative factors – The outlook on the ratings could be revised to Stable in case of pressure on the credit metrics arising from lower profit margins and a longer working capital cycle impacting the liquidity profile. Any large debt-funded capex weakening the credit metrics will also trigger a negative rating action.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of Prabha Automotive Engineers Limited (PAEL), 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 Limited manufactures FES, cabins, load bodies, tipper bodies, bus cowls and fuel and oil tanks of commercial vehicles primarily for ALL. PAEL's manufacturing facilities are located in Hosur (Tamil Nadu), Alwar (Rajasthan), Pantnagar (Uttarakhand) and Oragadam (Chennai), near ALL's facilities.

PAEL is a part of the Prabha Group, which has two other entities – Prabha Auto Products Private Limited (involved in manufacturing of cabin, tipper, load bodies and other structural parts for ALL and 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 by H1 FY2027 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	FY2024	FY2025
Operating income (OI)	1,326.9	1,306.1
PAT	23.4	58.0
OPBDIT/OI	5.6%	5.9%
PAT/OI	1.8%	4.4%
Total outside liabilities/Tangible net worth (times)	2.8	2.0
Total debt/OPBDIT (times)	2.8	2.3
Interest coverage (times)	2.8	3.9

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

	Type	Current rating (FY2027)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. Crore)	Date & Rating in FY2027	Date & Rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	
			April 06, 2026	April 03, 2025	-	February 29, 2024	
1	Term Loans	Long-term	26.41	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)
2	Fund Based	Short-term	115.20	[ICRA]A2	[ICRA]A2	-	[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	26.41	[ICRA]BBB+(Positive)
NA	Fund based limits	NA	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 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 considering common promoters and significant operational and financial linkages and proposed amalgamation

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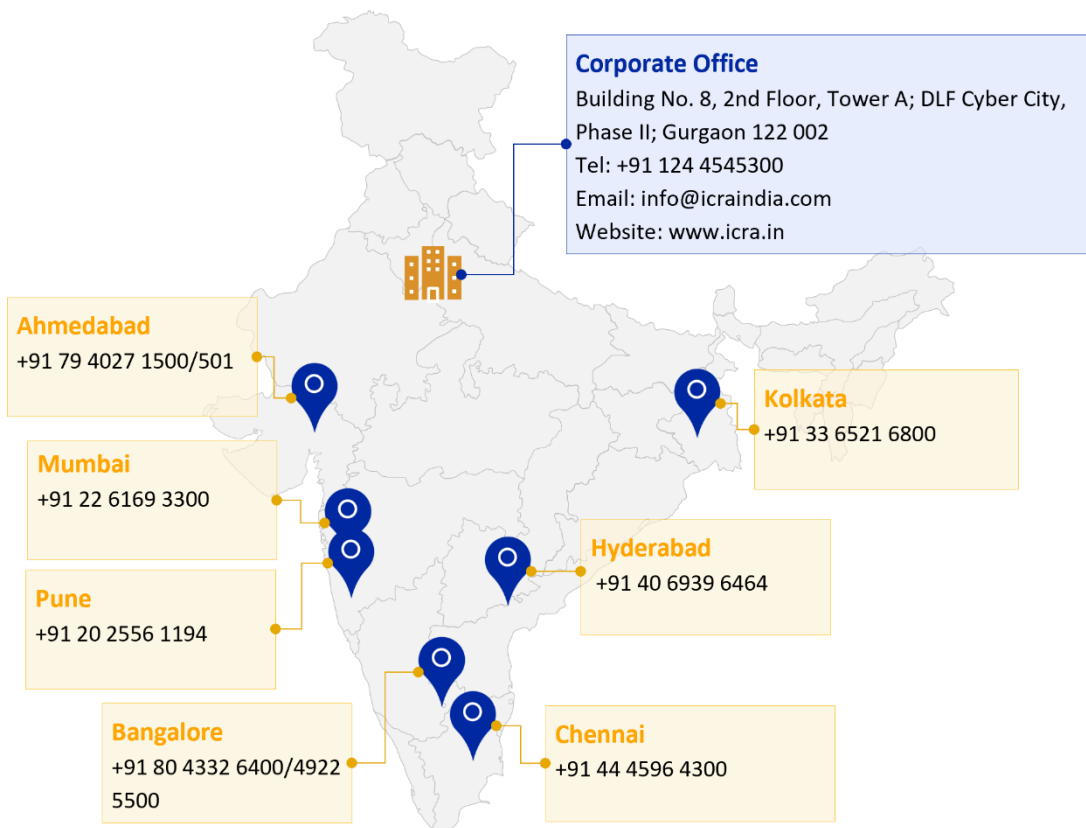
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