April 07, 2025

Sundaram Brake Linings Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based –Cash credit	85.00	85.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term fund based–Term loan	25.00	25.00	[ICRA]BBB+ (Stable); reaffirmed
Short-term non-fund based	4.07	4.07	[ICRA]A2; reaffirmed
Short-term fund based –sublimit	(65.00)	(65.00)	[ICRA]A2; reaffirmed
Short-term non-fund based –sublimit	(1.50)	(1.50)	[ICRA]A2; reaffirmed
Total	**114.07**	**114.07**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings outstanding on the bank lines of Sundaram Brake Linings Limited (SBLL) considers ICRA's expectation of a stable financial performance in the near to medium term, supported by the company's established market position in the friction material industry, its healthy domestic-export mix, comfortable capital structure and financial flexibility, stemming from being a part of the T S Krishna Group (part of the larger TVS Group of Companies). The company has reputed tier-I automobile suppliers as its customers in the domestic original equipment manufacturers (OEM) segment and distributes through established pan-India players in the aftermarket segment. Apart from this, it derives a material portion of its revenues from exports (41% of revenues in 9M FY2025), which provides diversification. Further, SBLL has a conservative capital structure (gearing of 0.6x as on December 31, 2024), supported by moderate working capital borrowings and low long-term debt. Its liquidity position remains adequate with a comfortable buffer of Rs. 24.3 crore in working capital lines as of December 31, 2024. The ratings also favourably consider the strong financial flexibility it enjoys with lenders/investors by being a part of the T S Krishna Group (part of the larger TVS Group of Companies –an established name in the domestic auto ancillary industry).

The ratings are however, constrained by the company's moderate scale of operations and low accruals. The company reported an operating income of Rs. 256.8 crore in 9M FY2025 and Rs. 354.8 crore in FY2024, and its cash accruals stood at Rs. 7.5 crore during 9M FY2025. Its coverage metrics remain moderate in 9M FY2025 (Total debt/OPBDITA of 3.7 as on December 31, 2024 and interest coverage of 4.0x for 9M FY2025). While SBLL has a favourable export-domestic mix, it derives a significant portion of its export revenues from the US (close to 25% of revenues in 9M FY2025), exposing it to regional risks/slowdown in the market. The impact of the recent import tariff in the US, on SBLL's revenues and earnings remains a key monitorable. Also, commercial vehicle (CV) sales, which constituted a majority of SBLL's domestic OEM revenues in 9M FY2025, remain inherently cyclical in nature, with industry volumes strongly correlated to the level of economic activity, industrial growth and infrastructure investments. While the company is taking measures to increase its revenues from the non-CV segment, its ability to achieve material segment diversification over the medium term remains to be seen.

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 established business position, comfortable capital structure and adequate liquidity.

Key rating drivers and their description

Credit strengths

Established player in the Indian friction material industry; healthy domestic-export mix – SBLL is a reputed player in the Indian automobile friction material industry. Its direct and indirect clients include established tier-1 auto component suppliers and auto OEMs catering to the commercial vehicle, two-wheeler, and passenger vehicle segments. In the domestic aftermarket space, SBLL has a pan-India presence with a network of distributors and multiple direct stockists. Apart from this, the company derives a material portion of its revenues from exports (41% of revenues in 9M FY2025), which provides diversification.

Conservative capital structure – The company had a comfortable capital structure as illustrated by a gearing of 0.6x as on December 31, 2024. SBLL did not undertake any major capex in the last several years and its debt primarily consists of working capital borrowings. It has capex plans of Rs. 20.0 crore in FY2026, part of which is expected to be debt funded. Nonetheless, ICRA expects SBLL's capital structure to remain comfortable, going forward as well.

Part of the T S Krishna Group – SBLL enjoys lenders/investors comfort by virtue of belonging to the T S Krishna Group (part of the larger TVS Group of Companies –an established name in the domestic auto ancillary industry). The promoters own a 65.5% stake in the company (as on December31, 2024), with 32.7% held by Madurai Alagar Enterprises Private Limited and 10.5% by Mr. Krishna Mahesh, SBLL's Managing Director and fourth-generation member of the TVS family.

Credit challenges

Moderate scale of operations; relatively low accruals – The company has a moderate scale of operations with an operating income of Rs. 256.8 crore in 9M FY2025 and Rs. 354.8 crore in FY2024. The cash accruals remained low at Rs. 7.5 crore for 9M FY2025, impacted by its relatively low operating margins. ICRA understands that SBLL has undertaken various revenue and margin improvement measures, which could improve accruals, going forward. However, the extent of improvement remains to be seen.

Vulnerability of revenues and earnings to inherent cyclicality in the CV industry – CV sales, which constituted a majority of SBLL's domestic OEM revenues in 9M FY2025, remain 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 industry players. The domestic CV segment is expected to witness a modest YoY growth of 3-5% in FY2026. While the company is taking measures to increase its revenues from the non-CV segment, its ability to achieve material segment diversification over the medium term remains to be seen.

SBLL faces competition from industry incumbents the unorganised segment in the domestic market; exports remain concentrated in USA; impact of any import tariff a monitorable – In the domestic market, SBLL continues to witness competition from industry incumbents such as Rane Brake Lining Limited (rated [ICRA]AA-/[ICRA]A1+; Rating Watch with Developing Implication), Masu Brakes Private Limited and Hindustan Composites Limited, to name a few. It continues to face competition from the unorganised segment in the replacement market as well. However, its established presence in the friction industry and strong market position mitigate the risk to an extent. While SBLL has a favourable export-domestic mix, it derives a significant portion of its export revenues from the US (close to 25% of revenues in 9M FY2025), exposing it to regional risks/slowdown in the market. The impact of the recent import tariff in the US, on SBLL's revenues and earnings remains a key monitorable.

Environmental and Social risks

Environmental considerations – SBLL, being an auto component supplier, remains indirectly exposed to climate-transition risks by virtue of its automotive OEM customers manufacturing products used across different fuel powertrains. Accordingly, the prospects for SBLL are linked to the ability of its customers to meet tightening emission requirements. The company remains exposed to tightening environmental regulations with regard to waste and pollution, which can lead to an increase in operating and new capacity instalment costs. The company has been taking steps to minimise its carbon footprint and the impact of environmental risks on its operations, 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 SBLL relate primarily to maintaining healthy industrial relations and product safety. Attracting and nurturing skilled manpower is 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. It is exposed to changing consumer preferences, including but not restricted to increasing awareness of the potential environmental damage from emissions, shift towards electric vehicles (EVs), usage of sustainable materials and societal trends like preference for ridesharing.

Liquidity position: Adequate

SBLL's liquidity position remains adequate, with a comfortable buffer of Rs. 24.3 crore in working capital lines as on December 31, 2024. The average working capital utilisation stood at 47.2% against the sanctioned limits for the 12-month period that ended in December 2024. The company had negligible cash balances as on December 31, 2024. Against these sources of cash, SBLL has debt repayment obligations of Rs. 2.8 crore in FY2026 and Rs. 4.4 crore in FY2027 on its existing and sanctioned loans. The company has a capex of Rs. 20.0 crore in FY2026, to be funded partly through debt, and minimal maintenance capex in FY2027 to be funded through internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade SBLL's ratings, if it achieves significant improvement in its scale of operations and profitability indicators, resulting in improved credit metrics. A specific credit metric that could lead to an upgrade include Total Debt/OPBDITA of less than 2.3 times on a sustained basis.

Negative factors – Negative pressure on the ratings will arise from a sharp contraction in revenues and earnings or increase in debt levels, leading to moderation in coverage metrics and liquidity position. Any significant impact on the company's revenues, margins or accruals because of recent import tariff in the US, could be a downward rating trigger.

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

Sundaram Brake Linings Limited (SBLL) primarily manufactures asbestos-free friction material such as brake linings, disc pads and clutch facings for the automobile industry. It also manufactures tractor linings and friction material for industrial applications, and trades in rivets. SBLL caters to three broad segments –a) tier-I suppliers of automobile OEMs, b) aftermarkets—replacement, state transport units (STUs) and branded spares, and c) exports —to over 60 countries. The company has four operational manufacturing facilities in Padi (Tamil Nadu), Madurai (two plants; Tamil Nadu) and Chengalpattu (Tamil Nadu). As on December 31, 2024, the promoters held a 65.5% stake in the company. SBLL is part of the T S Krishna Group, which in turn is part of the larger TVS Group. The company is at present managed by Mr. Krishna Mahesh, a fourth generation TVS family member.

Key financial indicators (Audited)

Standalone	FY2023	FY2024
Operating income	357.4	354.8
PAT	-4.8	10.1
OPBDIT/OI	1.4%	6.1%
PAT/OI	-1.3%	2.8%
Total outside liabilities/Tangible net worth (times)	1.4	1.2
Total debt/OPBDIT (times)	9.7	2.0
Interest coverage (times)	1.1	5.3

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

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Apr 07, 2025	Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	85.00	[ICRA]BBB+ (Stable)	Apr 26, 2024	[ICRA]BBB+ (Stable)	Mar 31, 2024	[ICRA]BBB+ (Stable)	Jul 04, 2022	[ICRA]BBB+ (Stable)
Long term-term loan-fund based	Long Term	25.00	[ICRA]BBB+ (Stable)	Apr 26, 2024	[ICRA]BBB+ (Stable)	Mar 31, 2024	[ICRA]BBB+ (Stable)	Mar 02, 2023	[ICRA]BBB+ (Stable)
Short term-others-non fund based	Short Term	4.07	[ICRA]A2	Apr 26, 2024	[ICRA]A2	Mar 31, 2024	[ICRA]A2	Jul 04, 2022	[ICRA]A2
Working capital facilities – Sublimit	Short Term	(65.00)	[ICRA]A2	Apr 26, 2024	[ICRA]A2	Mar 31, 2024	[ICRA]A2	Jul 04, 2022	[ICRA]A2
Bank Guarantee –Sublimit	Short Term	(1.50)	[ICRA]A2	Apr 26, 2024	[ICRA]A2	Mar 31, 2024	[ICRA]A2	Jul 04, 2022	[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash Credit	Simple
Term loans	Simple
LC/CEL	Very Simple
Working capital facilities –Sublimit	Simple
Bank Guarantee –Sublimit	Very 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	Cash Credit	NA	9.45%	NA	85.00	[ICRA]BBB+ (Stable)
NA	Term loan – I	FY2023	9.04%	FY2028	10.00	[ICRA]BBB+ (Stable)
NA	Term loan – II	FY2024	9.10%	FY2031	15.00	[ICRA]BBB+ (Stable)
NA	LC/CEL	NA	NA	NA	4.07	[ICRA]A2
NA	Working capital facilities –Sublimit	NA	NA	NA	(65.00)	[ICRA]A2
NA	Bank Guarantee –Sublimit	NA	NA	NA	(1.50)	[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 – Not Applicable

ANALYST CONTACTS

Shansher Dewan
+91 124 4545 328
shamsherd@icraindia.com

K Srikumar
+91 44 4596 4318
k.srikumar@icraindia.com

Vinutaa S
+91 44 4596 4305
vinutaa.s@icraindia.com

Himanshu Gupta
+91 124 4545 394
himanshu.gupta@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches