

June 13, 2022

L.G. Balakrishnan & Bros Limited: Migration of the rating outstanding on the medium-term rating scale to the long-term rating scale

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fixed Deposit Programme	40.00	40.00	[ICRA]AA (Stable); Migrated from MAA (Stable)
Long term - Fund-based facilities	125.00	125.00	[ICRA]AA (Stable) Outstanding
Short term: Non-fund Based facilities	100.00	100.00	[ICRA]A1+ Outstanding
Long term – Unallocated	100.00	100.00	[ICRA]AA (Stable) Outstanding
Total	365.00	365.00	

*Instrument details are provided in Annexure-1

Rationale

In compliance with the circular [SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular SEBI/HO/MIRSD/MIRSD_CRADT /P/CIR/2022/43 of April 1, 2022, for standardizing the rating scales used by the Credit Rating Agencies, ICRA has discontinued the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for the fixed deposits programme of L.G. Balakrishnan & Bros Limited from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another, and not as a reflection of a change in the credit risk of the fixed deposit programme.

Please refer to the following link for the previous detailed rationale that captures the Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Suppliers
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the L.G. Balakrishnan & Bros Limited and its subsidiaries as mentioned in Annexure-2

About the company

With presence of over six decades, LGB is amongst the largest manufacturers of 2W automotive chains in India (marketed under the brand 'Rolon'). It derived 79% of its revenues in FY2022 from chains and allied products and the remaining 21% of revenues in FY2022 were derived from the metal forming segment. In terms of segments, 2W constitutes over 80% of the revenues, while over 35% of revenues were derived from the replacement segment. The company has one subsidiary LGB USA Inc, which manufactures fine blanking products. LGB (standalone) accounted for 96% of the consolidated revenues and 90%

of the consolidated debt in FY2022. The company has 23 manufacturing facilities spread across Tamil Nadu, Maharashtra, Uttarakhand, Karnataka, Haryana, Rajasthan and Pondicherry in India and one facility in the USA, at the consolidated level.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2022 (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		Date & Rating in FY2019	
					Jun 13,2022	Aug 30,2021	Aug 28,2020	Dec 30,2019	Oct 10,2019	Dec 13,2018	Sep 07,2018
1	Term Loan	Long term	-	-	-	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Fund-based facilities	Long term	125.00	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
3	Non-fund based facilities	Short term	100.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Fixed Deposit	Long term	40.00	-	[ICRA]AA (Stable)	MAA(Stable)	MAA(Stable)	MAA(Stable)	MAA(Stable)	MAA(Stable)	MAA(Stable)
5	Unallocated	Long term	100.00	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)				-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fixed Deposits	Simple
Fund Based Facilities	Simple
Non-fund Based Facilities	Very Simple
Long Term – Unallocated	Not applicable

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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fixed Deposit	NA	NA	NA	40.00	[ICRA]AA (Stable)
NA	Fund-based facilities	NA	NA	NA	125.00	[ICRA]AA (Stable)
NA	Unallocated	NA	NA	NA	100.00	[ICRA]AA (Stable)
NA	Non-fund Based facilities	NA	NA	NA	100.00	[ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
LGB USA, Inc	96.00%	Full Consolidation
GFM Acquisition LLC^	98.47%	Full Consolidation
GFM LLC^	100.00% by GFM Acquisition LLC	Full Consolidation

Source: Company; Annual report,

^step down subsidiaries

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