July 16, 2026

L.G. Balakrishnan & Bros Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long Term – Fund Based facilities	200.00	200.00	[ICRA]AA(Stable); reaffirmed	RBI
Short Term – Non-fund Based facilities	100.00	100.00	[ICRA]A1+; reaffirmed	RBI
Fixed Deposit Programme	40.00	40.00	[ICRA]AA(Stable); reaffirmed	RBI
Total	**340.00**	**340.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The ratings reaffirmation 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 that the financial performance will sustain in the near-to-medium term, supported by its dominant market position, 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 OEMs. Further, it derives over 30% of its consolidated 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 15.7% in FY2026 (previous year [PY]: 16.1%) and it remained net debt negative, with unencumbered cash and bank balances of Rs. 651.8 crore as on March 31, 2026. ICRA expects LGB's financial profile and liquidity position to remain strong, going forward as well.

The company derived around 80% of its revenues from the domestic 2W industry in FY2026. Over the medium term, its revenues remain vulnerable to the risks arising from the impending electrification of vehicles due to minimal usage of chains in electric 2Ws in comparison to internal combustion driven 2Ws. However, its efforts on product diversification, sizeable portion of revenues from the replacement segment and e-2W penetration are expected to enhance gradually by FY2030 also 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 limited the moderation in margins to a large extent. Further, LGB has benefitted from operating leverage and periodic cost optimisation measures, and these are likely to continue going forward as well.

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 strong business profile, healthy liquidity and minimal dependence on external borrowings, 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 75% of the operating income (OI) in FY2026) primarily for 2Ws and metal forming products (25% of OI in FY2026) for 2Ws, passenger vehicles (PVs) and commercial vehicles (CVs). The company remains 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 2W demand environment 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 the aftermarket. 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 consolidated revenues grew by 19.3% in FY2026 and its operating margins continued to be healthy at 15.7% (PY: 16.1%), supported by its relatively higher 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 capex over the years, LGB has remained net debt negative since FY2021, and its debt protection metrics continue to be strong, with an interest coverage of 32.0 times in FY2026 (PY: 40.8 times). The company also had unencumbered cash and bank balances of Rs. 651.8 crore and adequate buffer of Rs. 105.0 crore against sanctioned working capital lines as on March 31, 2026. ICRA expects LGB's financial profile to remain strong going forward as well, despite the ongoing capex plans, although dependence on debt for the same is expected to remain minimal.

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 is diversifying its product portfolio by re-entering into the industrial chains segment. Further, LGB has acquired LGB Steel Private Limited (formerly known as RSAL Steel Pvt Ltd, rated ([ICRA]A+(Stable)/[ICRA]A1) in January 2024 and has widened its product portfolio. The risk is mitigated to an extent with aizeable portion of revenues coming from the replacement market and expected gradual enhancement of e-2W penetration (by FY2030).

High dependence on 2W industry – LGB derives ~80% of its revenues from the domestic 2W industry, 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. Also, the company has been taking steps to reduce the concentration risk in the recent years, results of which are expected to accrue over the medium term.

Margins susceptible to fluctuations in raw material prices – LGB's margins are susceptible to variation in commodity prices. However, the company's practice of negotiation-based pass-through for raw materials price increases has historically limited the moderation in margins. Also, LGB has benefitted from the operating leverage and periodic cost-optimisation measures, which are likely to continue, going forward. The company's margins would also be susceptible to any unfavourable movement 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 – As an auto component supplier, LGB remains indirectly exposed to climate transition risks as its automotive OEM customers manufacture products across different fuel powertrains. Accordingly, its prospects are linked to the ability of its customers to meet tightening emission control requirements. As a major portion of LGB's products finds application in internal combustion engine (ICE) 2Ws, its earnings can be impacted in case of slowdown in growth of ICE vehicles. Further, it remains exposed to stringent environmental regulations regarding waste and pollution norms, which could entail capital investments.

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 expected healthy cash flow from operations of Rs. 250.0-300.0 crore per annum and unencumbered cash and bank balances of Rs. 651.8 crore as on March 31, 2026. The company has adequate buffer in working capital lines with unutilised limits of Rs. 105.0 crore as on March 31, 2026. Against these, the scheduled repayment obligations are minimal at Rs. 20.5 crore, Rs. 33.2 crore and Rs. 11.8 crore in FY2027, FY2028 and FY2029, respectively for its existing term loans and fixed deposits. Although the company has significant capex plans of Rs. 400.0-450.0 crore p.a. for the next two years, predominantly for product diversification and capacity enhancement, the same are likely to be funded through 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 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 75% of its revenues in FY2026 from chains and allied products and the rest from the metal forming segment. In terms of the business segments, 2W accounts for around 80% of its consolidated revenues. The company has two subsidiaries, LGB Steel Private Limited, which manufactures Cold Rolled Close Annealed (CRCA) strips used for captive consumption by LGB and LGB USA Inc., which manufactures fine blanking products. 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)	FY2025	FY2026
Operating income (OI)	2,578.3	3,075.6
PAT	302.1	318.7
OPBDIT/OI	16.1%	15.7%
PAT/OI	11.7%	10.4%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.4	0.5
Interest coverage (times)	40.8	32.0

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

	Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. Crore)	Date & Rating in FY2027	Date & Rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
				July 16, 2026	July 17, 2025	July 29, 2024	July 28, 2023
1	**Fund based facilities**	Long term	200.00	**[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+**
3	**Fixed Deposit programme**	Long term	40.00	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**

Complexity level of the rated instruments

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

Source: Company

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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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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.

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