March 04, 2025

Ashley Alteams India Limited: Ratings upgraded to [ICRA]BBB+(Stable)/[ICRA]A2

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term - Term loan	28.15	27.12	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB(Stable)
Long Term - Fund Based - Cash Credit	40.00	42.88	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB(Stable)
Long Term - Sub limits	(10.00)	(0.00)	-
Long Term - Unallocated	1.85	0.00	-
Short Term - Sub limits	(37.00)	(90.00)	[ICRA]A2; upgraded from [ICRA]A3+
Short Term - Fund Based facilities	55.00	55.00	[ICRA]A2; upgraded from [ICRA]A3+
Total	**125.00**	**125.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings upgrade considers the expected improvement in Ashley Alteams India Limited's (AAIL) credit profile on the back of a healthy scale-up of operations and sustained healthy margins, leading to improvement in debt metrics. The company's revenues are estimated to clock a double-digit growth in FY2025 and high single-digit growth in FY2026 on the back of recovery in demand in the telecom segment, which accounted for 29% of sales, and a stable offtake in the auto segment along with contribution from new products. The company's margins improved over the past two years on the back of softened input prices, coupled with better scale and product mix. The same are likely to sustain, going forward. Increased earnings and absence of any major debt-funded capex led to an improvement in debt indicators with total debt to OPBDITA of ~1.6 times and a debt service coverage ratio of 1.8 times as of December 2024. The ratings also get comfort from the continued support (both operational and financial) and commitment of the joint venture (JV) partners, Ashok Leyland Limited (ALL; rated [ICRA]AA+ (Stable) / [ICRA]A1+) and Alteams OY (AOY), Finland, and the vast experience of the management. AAIL enjoys strong financial flexibility with the lenders, given its strong parentage. The ratings also consider the company's strong customer base, diversified presence across industries and expected stability in its revenues with a favourable demand environment. However, the ratings remain constrained by high customer concentration risk, with the top-three customers accounting for ~65% of sales in 9M FY2025, and vulnerability of its earnings and revenues to the cyclicality in the auto sector as well as sharp fluctuations in commodity prices.

The Stable outlook on the long-term rating considers ICRA's opinion that AAIL's earnings growth will be supported by increased offtake from its key clients and healthy order inflow from the telecom segment, supported by new product expansion, leading to improved credit profile.

Key rating drivers and their description

Credit strengths

Strong parentage with advanced technological and operational/management support from both promoters; need-based financial support from JV partners – Incorporated in 2007, AAIL is a 50:50 joint venture (JV) between ALL and AOY. ALL is the second-largest manufacturer in the medium and heavy commercial vehicles (M&HCV) segment in India, and AAIL is a critical high-pressure aluminium die-cast supplier for ALL. In 9M FY2025, AAIL derived ~40% of its revenue from ALL. The company also receives technical support from AOY, which is a part of the Alteams Group, one of the leading manufacturers of cast-light metal components to the global telecommunication industry. Its association with AOY has helped the company secure orders from reputed clientele in the telecom sector. AAIL continues to receive operational and financial support from its JV partners. AOY provides technological support, while ALL provides managerial support to the company. In addition, AAIL receives need-based financial support from its JV partners through equity or trade advances, as observed in the past.

Strong operational profile with diversified presence across industries with reputed clientele – AAIL's business risk profile is strongly supported by the JV partners' vast experience and the company's established presence in the industry, supplying components to diverse end-user industries, namely automotive (accounted for 70% of total revenues in 9M FY2025), telecom (29%) and industrial (1%). In 9M FY2025, the company's revenues and volumes witnessed a YoY increase of 29% and 9%, respectively, on account of healthy order inflow from both new and existing customers in the telecom segment. Further, AAIL's debt indicators improved with total debt to OPBDITA of ~1.6 times and interest cover of ~5.1 times as of December 2024.

Increased wallet share with existing clients to support growth – AAIL has a reputed client profile with which it has established relationships. The company's wallet share with all its major clientele has witnessed a healthy improvement over the last few years. Further, the company's long-term revenue prospects for both auto and telecom are favourable, given the healthy product additions to cater to ALL's needs along with the new business prospects in the telecom segment pertaining to 5G projects. This, coupled with the addition of business from its existing customers and onboarding of new customers ensures stable revenue visibility over the medium term.

Credit challenges

Exposed to high customer concentration risk – AAIL derives 65-70% of its revenues from its top- three customers, ALL, Nokia Solution Networks and Tata Cummins Limited, and 75-80% from its top five customers. Although the risk is mitigated to an extent as ALL is a 50% JV partner, any fallout with one of its key clients could significantly impact the company's revenues and profitability.

Revenue and earnings vulnerable to cyclicality in auto sector and sharp fluctuations in commodity prices – AAIL derives 70-75% of its revenues from the cyclical auto sector and 25-30% from the telecom sector, exposing it to fluctuations in demand in these segments. AAIL's profit margins are susceptible to fluctuations in the prices of raw materials, primarily aluminium alloy, although price escalation clauses with customers partially mitigate the risk.

Liquidity position: Adequate

AAIL's liquidity is **adequate** with expected retained cash flow of Rs. 30-40 crore in the next 12 months and a buffer in the working capital facilities of Rs. 39.9 crore as on January 31, 2025. AAIL has capex plans of Rs. 18-20 crore, to be funded by a term loan of ~Rs. 15.0 crore and internal accruals and debt repayment obligations of ~Rs. 7.0 crore in the next 12 months. The JV parent, ALL, has supported the entity through need-based trade advances and equity infusions in the past.

Rating sensitivities

Positive Factors – ICRA could upgrade the company's ratings if it demonstrates a sustained improvement in revenues, profit margins and debt metrics, strengthening the financial risk profile.

Negative Factors – Pressure on AAIL's ratings could arise, if any material decline in revenues or margins impacts its debt metrics on a sustained basis. Specific credit metric that could lead to ratings downgrade includes Total Debt/OPBITDA of more than 2.5 times on a sustained basis. Any weakening in the operational or financial linkage with the parent entities could also trigger ratings downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Auto Component](#)
Parent/Group support	JV Parent: Ashok Leyland Limited, rated [ICRA]AA+/[ICRA]A1+; Ratings are based on implicit support expected to be received from Ashok Leyland Limited
Consolidation/Standalone	Standalone

About the company

AAIL, incorporated in 2007, is a 50:50 JV between Ashok Leyland Limited and Alteams OY. AAIL manufactures high-pressure aluminium die castings from its foundry and machine shop at Cheyyar in Tamil Nadu (90 km from Chennai). The foundry has an installed production capacity of 11,000 MT, with a capability to produce high-pressure die-casting components ranging from 0.2-45 kg.

ALL is the second-largest commercial vehicle manufacturer in India, while AOY is a Finnish light metal casting company with operations in Finland, Sweden, Estonia, and China. The Alteams Group is the world's largest manufacturer of cast light metal components for the telecommunications industry. The Alteams Group is a part of Kuusakoski OY (a Finland-based, international re-cycling company).

Key financial indicators (audited)

Ashley Alteams India Limited (Standalone)	FY2023	FY2024	9M FY2025*
Operating income	325.1	297.6	266.4
PAT	17.5	18.2	20.1
OPBDIT/OI	11.8%	14.2%	13.7%
PAT/OI	5.4%	6.1%	7.5%
Total outside liabilities/Tangible net worth (times)	6.1	3.2	2.1
Total debt/OPBDIT (times)	2.7	2.2	1.6
Interest coverage (times)	3.2	3.8	5.1

*Source: Company, ICRA Research; * Provisional numbers; 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

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Mar 04, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	27.12	**[ICRA]BBB+(Stable)**	Aug-09-24	[ICRA]BBB (Stable)	-	-	Mar-28-23	[ICRA]BBB- (Stable)	Feb-07-22	[ICRA]BB+ (Negative)
				Apr-05-24	[ICRA]BBB- (Stable)	-	-	Dec-19-22	[ICRA]BB+ (Positive)	-	-
Cash Credit	Long-term	42.88	**[ICRA]BBB+(Stable)**	Aug-09-24	[ICRA]BBB (Stable)	-	-	Mar-28-23	[ICRA]BBB- (Stable)	Feb-07-22	[ICRA]BB+ (Negative)
				Apr-05-24	[ICRA]BBB- (Stable)	-	-	Dec-19-22	[ICRA]BB+ (Positive)	-	-
Unallocated	Long-term	0.00	**-**	Aug-09-24	[ICRA]BBB (Stable)	-	-	Mar-28-23	[ICRA]BBB- (Stable)	-	-
				Apr-05-24	[ICRA]BBB- (Stable)	-	-	Dec-19-22	[ICRA]BB+ (Positive)	-	-
Sub-limit facilities	Long-term	(0.00)	**-**	Aug-09-24	[ICRA]BBB (Stable)	-	-	-	-	-	-
				Apr-05-24	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Fund based facilities	Short-term	55.00	**[ICRA]A2**	Aug-09-24	[ICRA]A3+	-	-	Mar-28-23	[ICRA]A3	Feb-07-22	[ICRA]A4+
				Apr-05-24	[ICRA]A3	-	-	Dec-19-22	[ICRA]A4+	-	-
Sub-limit facilities	Short-term	(90.00)	**[ICRA]A2**	Aug-09-24	[ICRA]A3+	-	-	Mar-28-23	[ICRA]A3	-	-
				Apr-05-24	[ICRA]A3	-	-	Dec-19-22	[ICRA]A4+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - fund based - term loans	Simple
Long-term - fund based - cash credit	Simple
Short-term - fund based facilities	Very Simple
Short-term - sub-limit facilities	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	Term loan 1	April 2025	8.75%	April 2029	15.00	[ICRA]BBB+ (Stable)
NA	Term Loan 2	Dec 2021	8.65%	Dec 2025	2.75	[ICRA]BBB+ (Stable)
NA	Working capital Term Loan	Dec 2023	-	-	9.37	[ICRA]BBB+ (Stable)
NA	Cash credit facilities	NA	-	-	42.88	[ICRA]BBB+ (Stable)
NA	Sale bill discounting	NA	-	-	55.00	[ICRA]A2
NA	Purchase bill discounting (sublimit)	NA	-	-	(55.00)	[ICRA]A2
NA	Letter of credit (sublimit)	NA	-	-	(35.00)	[ICRA]A2

Source: Company

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

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