

April 30, 2025

Jai Suspension Systems Private Limited: Ratings reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Fund-based/ Non-fund based working capital	48.50	48.00	[ICRA]AA- / [ICRA]A1+; reaffirmed; outlook revised to Positive from Stable
Total BLR	48.50	48.00	

*Instrument details are provided in Annexure-1

Rationale

ICRA has taken a consolidated view of Jamna Auto Industries Limited (JAI) and its three subsidiaries (Jai Suspension Systems Private Limited, Jai Suspensions Limited and JAI Automotive Components Limited, collectively referred to as the JAI Group/company), while assigning the credit ratings, given the common management and significant operational as well as financial linkages among the entities.

The change in the outlook to Positive factors in the expected improvement in the credit profile of the entity, aided by its continued efforts towards increasing contribution from the after-market segment by strengthening its distribution network as well as an ongoing shift in the product mix towards value-accretive products, such as parabolic springs and lift axles. The revenues from the after-market segment are likely to help mitigate the cyclicity associated with the commercial vehicle (CV) industry (the key industry which JAI caters to), thereby providing stability to the company's earnings, and are more margin accretive. The combined contribution of the aftermarket and exports sales to the company's revenues has increased from 16% in FY2019 to ~24% in 9M FY2025. The management plans to ramp up the same to 45-50% over the medium term. The company is also expanding its product offerings to increase its content per vehicle by adding allied products. The contribution from new products (including parabolic springs) has increased from 34% in FY2019 to 46% in 9M FY2025.

The ratings continue to favourably factor in the Group's leadership position in the domestic leaf spring market, aided by its scale, competitive pricing and strategic location of the manufacturing facilities in proximity to its customers. This has helped the Group maintain a dominant share of business (SOB) with most CV OEMs. Its domestic market share stood in the range of 62-65% in FY2025. The company reported an operating income of ~Rs. 2,430 crore in FY2024 with a YoY growth of 4%. However, its revenues dipped by 9% in 9M FY2025 (OI of Rs 1,632.4 crore) on a YoY basis, owing to a decline in demand in the CV industry. The company's operating margins continued to remain healthy at ~13.4% in 9M FY2025 (13.6% in FY2024), aided by operational efficiencies. The margins are expected to remain supported by better operating leverage and a gradual shift towards margin accretive products. Once the Adityapur plant (Jharkhand) becomes operational, which is expected by June 2025, the company's logistics cost is expected to reduce considerably as the supplies of parabolic spring to Tata Motors Limited (TML), Jamshedpur will be made from the Adityapur plant, which is currently being done from its Gwalior plant. This is expected to improve the margins, going forward. While the company's margins are expected to remain sensitive to the cyclicity associated with the CV industry, ICRA takes comfort from the material cost efficiency steps undertaken over the years, which have helped lower the cash breakeven capacity utilisation to 25-30% in FY2024 from ~45-50% in FY2019. The entity is thus expected to continue to report healthy cash accruals over the medium term.

The company incurred a capex of ~Rs. 200 crore in FY2025 towards completion of its new plant at Adityapur, (~Rs. 110 crore), Indore plant (~Rs. 45 crore, towards setting up U-bolts lines) and remaining at its existing plants (including capacity expansion in Chennai). It is likely to incur capex of Rs. 200-250 crore in FY2026, of which Rs. 110-120 crore is planned towards setting up

lines for leaf springs at the Indore plant apart from some capex towards other products in the pipeline and completion of its Adityapur plant. The company has been incurring capex in phases at its new Indore plant; the commercial production of U-bolts is likely to commence in Q1 FY2026. Even as the company has been investing towards modernising the existing facilities (to support cost efficiencies) and expanding capacities (to support growth), it has followed a judicious approach to fund its capex through internal accruals, which helped the entity to remain free of any term debt. The management's stated guidance of funding its gross block with net worth is likely to help the entity's leverage remaining low, going forward as well.

The aforementioned strengths are partially offset by the JAI Group's significant dependence on the M&HCV segment, which exposes it to the cyclicity associated with the industry. Notably, the company's revenues nearly halved during FY2019-FY2021, in line with the material downturn in the CV industry. The company's ability to continue to report healthy operating margins during such a decline in the scale of operations provides comfort.

ICRA notes the Group's high client concentration with its top two customers—TML and Ashok Leyland Limited (ALL)—accounting for ~58% share of sales in 9M FY2025. Moreover, the Group derives most of its revenues from a single product category, leaf springs, which is commoditised in nature. Despite the same, ICRA takes cognisance of the economies of scale that have supported the cost competitiveness, as well as the management's initiatives to expand its product coverage.

Key rating drivers and their description

Credit strengths

Strong business position with CV OEMs – JAI is the distant market leader in the domestic M&HCV industry for leaf springs, with healthy business coming from the leading OEMs, namely TML, ALL, Daimler India, VE Commercial Vehicles, etc. The Group continues to maintain healthy relationships with its customers, as evident from a strong SOB maintained over the years (JAI's market share has remained at 62-65% with some variations). With focus on quality as well as superior technology, JAI is expected to maintain its dominant position in the CV OEM market.

Favourable shift in sales mix towards higher value accretive products supports growth prospects – In recent years, JAI has witnessed a growth in revenue contribution from its higher value-accretive products in terms of margins, such as parabolic springs. The revenue share from JAI's parabolic springs improved gradually to nearly 39% in 9M FY2025 from 9% in FY2011. While sales from other new products—lift axles, trailer suspensions, and allied products (7% of revenues in 9M FY2025)—form a small share at present, the same is likely to improve, going forward. Additionally, the company is growing its presence in the aftermarket segment and export markets (~24% of revenues in 9M FY2025) by expanding its distribution network to support revenue diversity. Accordingly, the company's continued focus on increasing revenues from the non-OEM segment and maintaining a diversified product mix are likely to further support JAI's market position and help it mitigate the impact of cyclicity in the CV industry to some extent.

Strategic proximity to OEMs provides competitive advantage – JAI's eight existing plants as well as its two upcoming plants in India are all located near its customer units. In comparison, its competitors have a limited presence in terms of geographical footprint as well as capacity, which is reflected in JAI's dominant market position. This has enabled it to maintain healthy operating margins owing to a competitive cost structure through economies of scale, despite the commoditised nature of leaf springs.

Comfortable credit profile with healthy profitability and coverage metrics – JAI, at a consolidated level, continues to maintain a comfortable credit profile, as evident from its healthy coverage indicators and capital structure, with an interest coverage of 63.7 times in FY2024 (~75.6 times in 9M FY2025) and TOL/TNW of 0.5 times as on March 31, 2024. The company does not have any long-term debt on its books (as of December 2024) and primarily utilises supplier and customer bill discounting limits. Though the company has been setting up new plants, it intends to fund the same through internal accruals, keeping dependence on external debt low.

Credit challenges

High dependence on CV segment exposes JAI to cyclicity associated with the industry – JAI has significant dependence on the domestic M&HCV segment, which exposes it to the inherent cyclical nature of the underlying industry. Despite the management’s initiatives to develop a wide network for the replacement and export markets (~22% sales from the aftermarket segment and ~2% from exports in 9M FY2025), its ability to scale up its after-market supplies to a level that can offset any sharp decline in the CV OEM volumes in case of any downturn, is yet to be demonstrated. However, JAI’s ability to maintain its profitability even during fiscals of sharp revenue moderation mitigates concerns to an extent.

Exposure to high client and product concentration risks – ICRA notes that TML and ALL remain JAI’s key customers, with ~58% of the company’s revenues emanating from them. VE Commercial Vehicles Ltd. and Daimler India Commercial Vehicles Pvt. Ltd. are JAI’s other key clients. This results in high client concentration risk, which is partly mitigated by the strong market position of these OEMs. The management’s ability to increase content per vehicle with its key OEM customers also provides comfort. Even as the management has scaled up supplies of relatively higher value-added parabolic springs during the past few years, JAI’s revenues have primarily been derived from leaf springs (90-95%), leading to a high product concentration risk. However, the same is likely to gradually moderate, with JAI focussing on expanding its presence in the market for allied products.

Liquidity position: Strong

JAI’s liquidity is expected to remain strong, supported by healthy cash flows, limited utilisation of fund-based working capital limits (availability of adequate buffer of ~Rs. 65 crore as of February 2025) and unencumbered cash and liquid investments of ~Rs. 138 crore as on March 31, 2025. Additionally, the company is expected to generate healthy cash accruals in the near term, which are likely to support its liquidity profile. It is expected to incur material capex of Rs. 200-250 crore in FY2026, which is expected to be funded through internal accruals. It also continues to have a healthy dividend outflow (45-50% of PAT). Moreover, the company does not have any long-term debt repayment and continues to enjoy healthy financial flexibility.

Rating sensitivities

Positive factors – Material diversification of revenue through a sustained scale-up in the after-market supplies, helping offset any sharp moderation in CV OEM volumes, as well as a material increase in revenues from new product launches, may lead to a positive rating action.

Negative factors – The outlook may be revised to Stable if there is a material slowdown in the CV industry, resulting in a deterioration in the Group’s cash accruals and credit profile. Specific credit metrics that may trigger a downgrade include Total Debt/OPBDITA over 1.5 times on a sustained basis.

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 JAI. As on March 31, 2024, JAI had three subsidiaries, which are enlisted in Annexure-II.

About the company

Incorporated in 1965, the Delhi NCR-based Jamna Auto Industries Limited manufactures conventional leaf springs, parabolic leaf springs, air suspensions and lift axles, predominantly for CVs. With a consolidated annual manufacturing capacity of 3,00,000 MT, the company is India's largest CV spring manufacturer. JAI's manufacturing facilities are spread across 10 locations, including Yamuna Nagar (Haryana), Chennai (Tamil Nadu), Malanpur (Madhya Pradesh), Jamshedpur (Jharkhand), Hosur (Tamil Nadu), Pune (Maharashtra), Sriperumbudur (Tamil Nadu), and others. In 9M FY2025, it generated ~76% of its sales from the OEM segment, followed by the replacement (22%) and export (2%) markets, respectively. The company's mainstay, the leaf spring segment, drives ~90% of its sales, followed by other products such as lift axles, air suspensions and stabiliser bars.

JAI holds a majority stake (99.99%) in Jai Suspension Systems Private Limited (JSS), the manufacturing plant of which is at Pant Nagar (Uttarakhand), apart from two other wholly-owned subsidiaries, Jai Suspensions Limited (JSL) and Jai Automotive Components Limited (JACO). JAI is listed on BSE and NSE, and the promoters, the Jauhar family members, own a 50% stake in the company.

Key financial indicators (audited)

JAI Consolidated	FY2024	9M FY2025*
Operating income	2,429.6	1,632.4
PAT	205.4	130.0
OPBDIT/OI	13.6%	13.4%
PAT/OI	8.5%	8.0%
Total outside liabilities/Tangible net worth (times)	0.5	-
Total debt/OPBDIT (times)	0.9	-
Interest coverage (times)	63.7	75.6

Source: Company, ICRA Research; *Limited results; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Note: Balance sheet figures not available for 9M FY2025; customer and supplier bill discounting included in debt; the company had supplier bill discounting/acceptances o/s (in the form of short-term borrowings) of Rs. 122.9 crore and customer bill discounting of Rs 158.5 crore as of March 31, 2024

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Apr 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-Based/ Non-Fund Based working capital	Long Term/ Short Term	48.00	[ICRA]AA- (Positive)/ [ICRA]A1+	Apr 25, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+	Apr 27, 2023	[ICRA]AA- (Stable)/ [ICRA]A1+	Apr 29, 2022	[ICRA]AA- (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short -term – Fund Based/Non-fund based Working Capital	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	Long-term/Short-term: Fund based/Non-fund Based working capital	NA	NA	NA	48.00	[ICRA]AA- (Positive)/ [ICRA]A1+

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Company Name	JAI Ownership	Consolidation Approach
Jamna Auto Industries Limited	100.00%	Full Consolidation
Jai Suspension Systems Private Limited	99.99% (rated entity)	Full Consolidation
Jai Suspensions Limited	100.00%	Full Consolidation
Jai Automotive Components Limited	100.00%	Full Consolidation

Source: JAI annual report FY2024

Note: ICRA has factored in consolidated financials of JAI while assigning the ratings.

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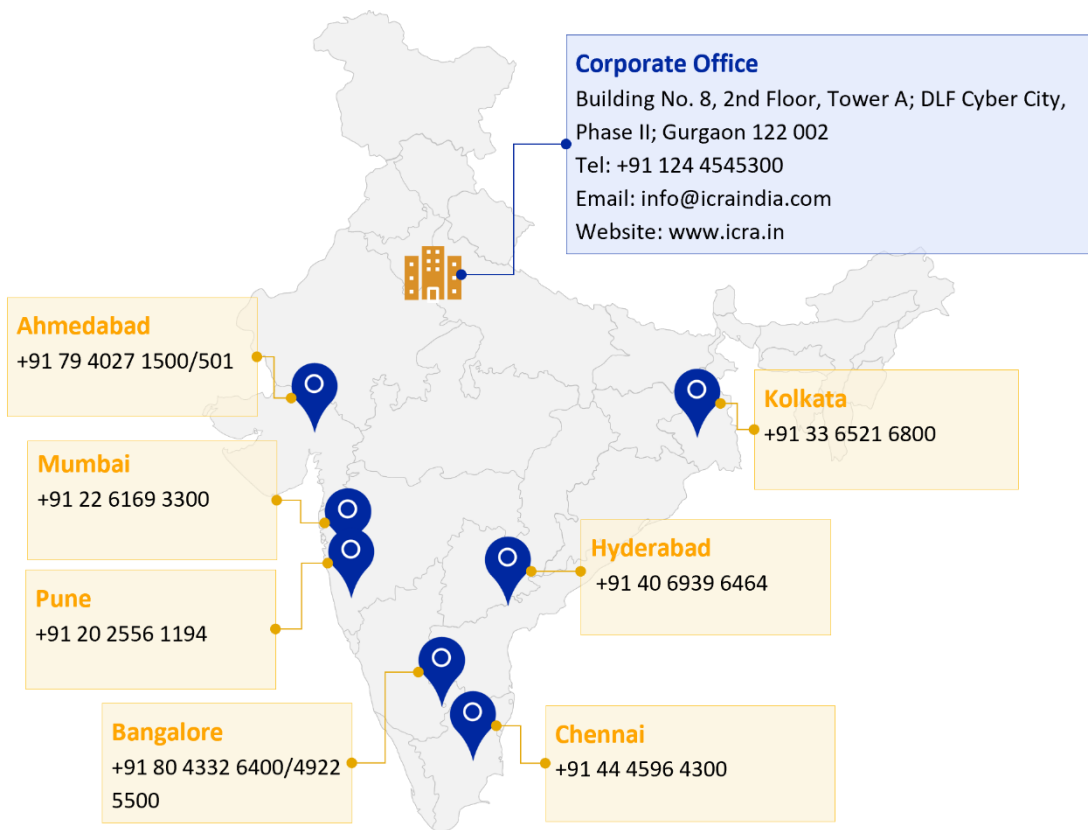
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