

## Tata Cummins Private Limited

Instrument	Amount	Rating Action
Long term loans	Rs 300.0	[ICRA]AA (Stable) reaffirmed
Fund Based/Non Fund Based	Rs 200.0	[ICRA]AA (Stable) / [ICRA]A1+ assigned

### **Amount in Rs Crore**

ICRA has reaffirmed [ICRA]AA (pronounced ICRA double A) rating Rs 300 crore (reduced from Rs 500 crore) term loan of Tata Cummins Private Limited (TCPL, erstwhile TATA Cummins Limited).<sup>†</sup> ICRA has also assigned long term rating of [ICRA]AA and short term rating of [ICRA]A1+ to Rs 200 crore fund based / non fund based working capital facilities of TCPL. The outlook on long term rating is Stable.

The rating reaffirmation reflects TCPL's strong parentage and the operational support it derives from its close association with Tata Motors Limited (TML, rated [ICRA]AA (Stable) and [ICRA]A1+ by ICRA) and Cummins Inc., USA (rated A2/Stable by Moody's) / Cummins India Limited (CIL). The rating factors in the benefits of the Cummins technology which has enabled TCPL to gradually improve order book share with TML. TCPL's profitability has been largely protected against fluctuations in raw material costs, foreign exchange and taxes through pass on arrangements with its customers TML and CIL. The rating strengths are partially offset by TCPL's high client and business (on Medium & Heavy commercial vehicle segment) concentration. The concentration risk is however mitigated to an extent by the strong market position of TML and CIL in their respective segment.

TCPL's operating performance has witnessed steady improvement on account of resource optimization and improved capacity utilization in the backdrop of recovery in domestic M&HCV industry. Over last two years, TCPL has gradually increased its order book share in TML's M&HCV engine requirement from sub 70% level in FY13 to ~78% during 9mFY16 and the share is expected to remain stable ~75%-80% range in the medium term. On account of improved operating leverage, benign commodity prices and modest dividend outflow, company has generated healthy cash accruals which when coupled with capital subsidy received from Government of Maharashtra (GoM) has helped company to maintain robust capital structure and liquidity profile despite sizeable capital expenditure undertaken in the recent past. TCPL's liquidity profile remains satisfactory supported by unused bank facilities and strong refinancing capabilities.

### **Company Profile**

Incorporated in July 1993, TCPL is a 50:50 JV between TML and Cummins Inc. USA, manufacturing 'B' series and "L" series engines used in M&HCVs, industrial applications and for power generation. While TML is the main customer, the company receives its technology from Cummins Inc/CIL, and the company follows Cummins's global manufacturing/ operational processes. Also, the technology for the products is received exclusively from Cummins, though the same can be localized in India with necessary modifications (with approval from Cummins Inc) based on customer requirements. Starting with a greenfield project in Jamshedpur for manufacturing 60,000 automotive engines, the company commenced production in January 1996. Capacities at Jamshedpur facility have since been augmented to 120,000 engines. The company has set up a Greenfield unit in Phaltan, Pune with planned capacity of 150,000 units (120,000 B series and 30,000 L series engine), to be commercialized in phases (90,000 B series and 15,000 L series annual production capacity currently).

TCPL's is presently the largest independent manufacturer of automotive diesel engines in the country. Its main products are four and six cylinder Cummins B series engines (75-285 HP) used in automotives (100-350 HP), Industrial (50-350 HP) and power generation (Gensets 30-300kVA) applications. The automotive engines are sold to TML while CIL buys the automotive, power generation and industrial engines.

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† For complete rating definition please refer to ICRA Website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications



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