

Jasper Industries Private Limited

Instrument	Amount in Rs Crore	Rating Action
Term Loans	69.00 (revised from Rs 30.50 crore)	[ICRA]BBB- (Negative) reaffirmed/assigned
Cash Credit	25.00	[ICRA]BBB- (Negative) reaffirmed
Inventory Funding	70.00	[ICRA]BBB- (Negative) reaffirmed
Bank Guarantee	0.75	[ICRA]A3 reaffirmed
Unallocated Limits	5.50 (revised from Rs 2.00 crore)	[ICRA]BBB-/ [ICRA]A3 reaffirmed

ICRA has reaffirmed/assigned the long term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs.169.50 crore¹ (revised from Rs 125.50 crore) fund based limits of Jasper Industries Private Limited (JIPL)[†]. ICRA has also reaffirmed the short term rating of [ICRA]A3 (pronounced ICRA A three) assigned to the Rs. 0.75 crore bank guarantee limits and reaffirmed the ratings of [ICRA]BBB-/ [ICRA]A3 assigned to the Rs. 5.50 crore (revised from Rs 2.00 crore) unallocated limits of JIPL. The outlook on the long term rating remains negative.

The reaffirmation of ratings continues to factor in the established track record of the company as a dealer of commercial vehicles (CV) of Tata Motors Limited (TML), which is the market leader in the domestic commercial vehicle space (market share of 44.37%² during 11MFY2016) and the benefits arising from JIPL's position as the sole authorized dealer of TML across all ten districts in Telangana and three districts in Andhra Pradesh (covering the Hyderabad and Vijayawada territory). The ratings also factor in the wide sales & service network of JIPL; strong association of Jasper group with TATA group of companies³; increase in revenues by 43% in FY2016 owing to improved CV demand mainly driven by Medium & Heavy Commercial Vehicle (MHCV) segment; and improved operating margins from 1.86% in FY2015 to 2.39% in FY2016 owing to higher share of MHCV vehicle sales.

The ratings are however constrained by significant increase in debt levels with the company availing two new term loans totaling to Rs 44.00 crore and also increase in group advances; the company has taken new term loans towards investments in group companies and for buying of back buildings from Tata Motors Limited (TML) which was earlier sold to them. The ratings continue to be constrained by large group advances and competition from dealers of established and new CV manufacturers; limited pricing flexibility with JIPL given that the margins on vehicle sales, spares and services are controlled by Tata Motors Limited (TML); and significant debt repayment obligations over the medium term given that the expected accruals to be lower than repayment obligations. Therefore, the ability of the company to refinance the ensuing repayments will be a key monitorable.

Going forward, the company's ability to reduce the debt levels in a timely manner by reducing stake in the power venture along with selling of immovable assets of promoters/group companies, improvement in profitability and cash accruals in the dealership business will be a key rating sensitivity from credit perspective.

Company Profile

JIPL was established in 1955 by Mr. Badiga Seshagiri Rao as a partnership firm and was later converted into private limited company in 1987. It was one of the first sixteen dealers appointed by TML in the year 1955. Started with its first outlet at Vijayawada, today the company has around 87 touch points spread across all ten districts of Telangana and three districts of Andhra Pradesh including Hyderabad and Vijayawada where it is the exclusive dealer for TML commercial vehicles. Jasper group is also involved in sale of passenger vehicles of TML, manufacturing of automotive applications of TML. The group is also executing 135MW thermal power

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² Based on data reported by Society of Indian Automobile Manufacturers (SIAM)

³ The Jasper group is also involved in sale of passenger vehicles of TML, manufacturing of automotive applications for TML and is also executing 135 MW power project in association with TATA Steel Ltd



project in association with Tata Steel near Cuttack in Odisha. The power plant would mainly cater to the captive needs of Tata Steel and will be operational from May,2016.

Recent Results

The company reported a net profit of Rs. 1.39 crore on operating income of Rs. 1012.64 crore in FY2016 (Provisional and Unaudited) as against net loss of Rs.2.14 crore on operating income of Rs. 712.00 crore in FY2015.

May 2016

For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500