

March 16, 2017

Jasper Auto Services Private Limited

Instrument*	Rated Amount (in Rs crore)	Rating Action
Term Loan	60.00	[ICRA]BB- (Stable) reaffirmed
Total	60.00	

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has reaffirmed the long term rating of [ICRA]BB- (pronounced as ICRA double B minus)¹ assigned to the Rs 60.00 crore² term loan limits of Jasper Auto Services Private Limited (JASPL). The outlook on long term rating is 'Stable'.

Rationale

The rating takes into consideration the sizable debt servicing requirements in the near term given that the repayments on JASPL's term loan outstanding is scheduled to commence from June 2017 onwards; as such, the rating is underpinned on ICRA's expectations of successful conclusion of the planned fund raising transactions at the Jasper group level including sale of its passenger car dealership along with associated land and buildings in Guntur, Andhra Pradesh, and divestment of equity stake in power project. The Jasper group is expected to utilize the proceeds of these transactions to de-leverage and reduce the debt outstanding in all its group companies, including JASPL. ICRA notes that, currently, given the inadequate cash flows from operations, the shortfall in interest servicing is currently being funded by Jasper Industries Private Limited through subscription of preference share capital. The rating is sensitive to the fructification of the aforesaid transactions and ICRA could downgrade the rating of the company in case of any delay in the same.

The ratings positively factor in extensive experience of promoters and the strong association of Jasper group with TATA group of companies³; and low occupancy risk for JASPL's share of space in the Trendset mall at Vijayawada, Andhra Pradesh as 83% of JASPL's share is occupied as on December 31, 2016.

Going forward, leasing of the remaining vacant portions of the Trendset mall, if achieved, could be a credit positive.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

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

Key rating drivers

Credit Strengths

- Strong association with Tata Group; Jasper Group is authorized dealer of commercial and passenger vehicles of Tata Motors Limited (TML) in Andhra Pradesh and Telangana
- Completion of 135 MW power plant by Jasper group in association with TATA Steel Ltd with commercial operations starting from June 01, 2016
- Moderate occupancy risk for JASPL's share in the Trendset mall at Vijayawada, Andhra Pradesh, as 83% of JASPL's share is occupied as on December 31, 2016

Credit Weakness

- High repayment risk given that the term loan repayments are starting from June 2017; the debt obligations are contingent upon timely implementation of plans to raise funds at group level
- Weak cash flow position with the company incurring cash losses in FY2016 and H1FY2017
- Leveraged capital structure and low coverage indicators

Description of key rating drivers highlighted above:

Jasper Auto Services Private Limited (JASPL) is part of Jasper group and its activities are currently focused towards real estate. Jasper Group has strong association with Tata Group as it is the authorized dealer of commercial and passenger vehicles of Tata Motors Limited (TML) in Andhra Pradesh and Telangana, manufacturing of automotive applications for TML and has also executed 135 MW power project in association with TATA Steel Ltd with commercial operations started from June 01, 2016.

Trendset Builders had constructed a mall-cum-multiplex at Benz Circle, Vijayawada under a Joint Development Agreement (JDA), wherein the developer and the landlord have a 50% share each. JASPL being one of the land owner of this project, has a 20% share of the built-up area and the occupancy risk for JASPL's share in the Trendset mall at Vijayawada is moderate as 83% of JASPL's share is occupied as on December 31, 2016.

The term loan of Rs 60.00 crore was taken to fund equity commitment in the power project. The repayment risk is high as the repayments are starting from June 2017 and inability of the company to generate sufficient cash flows from business operations. Further, the cash flow position of the company is weak with the company incurring cash losses Rs 1.50 crore and Rs 1.13 crore in FY2016 and H1FY2017 respectively. The capital structure of the company is stretched with gearing of 1.91 times as on March 31st, 2016 and coverage indicators are low with interest coverage of 0.83 times and TD/OPBDIT of 13.42 times for FY2016.

Analytical approach:

Links to applicable Criteria

Corporate Credit Rating –A Note on Methodology

<http://www.icra.in/Files/Articles/2009-October-Rating-Corp-Rating-Methodology.pdf>

About the Company:

Jasper Auto Services Private Limited (JASPL) is part of Jasper group and its activities are currently focused towards real estate. The passenger vehicle (PV) dealership of Tata Motors Limited (TML) of Jasper Industries Private Limited (JIPL) was transferred to JASPL in July 2011. JASPL operated as a

passenger vehicle dealer till December 2013, and the passenger vehicle business is transferred to other group company Jasper Automobiles Private Limited (JAPL). JASPL being one of the land owners has a 20% share of the total built up area in the Trendset Mall in Vijayawada, Andhra Pradesh. The group executed a 135MW thermal power project in association with Tata Steel near Cuttack in Odisha. The power plant mainly caters to the captive needs of Tata Steel. JASPL has raised debt of Rs 60.00 crore and invested Rs 60.75 crore in the power project towards the group equity commitment.

The company reported a net loss of Rs. 1.13 crore on an operating income of Rs. 3.13 crore in 6MFY2017 (Provisional and Unaudited) as against net loss of Rs.2.22 crore on an operating income of Rs. 5.73 crore in FY2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month- year & Rating in FY2016	Month- year & Rating in FY2015	Month-year & Rating in FY2014
				March 2017	November 2015	April 2014	
1	Fund Based Limits	Long Term	60.00	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	Ratings of [ICRA]BBB-(SO) Withdrawn	NA

Table: Rating History

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Term Loan	June 2014	-	June 2022	60.00	[ICRA]BB- (Stable)

Source: Jasper Auto Services Private Limited.

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About ICRA Limited:

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