

May 26, 2023

Automotive Axles Limited: Change in limits

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund based – Term Loan	12.50	12.50	[ICRA]AA- (Stable); outstanding
Long-term/ Short-term – Fund based/ Non-fund Based Limits	100.00	132.50	[ICRA]AA- (Stable)/[ICRA]A1+; outstanding
Long term – unallocated	32.50	-	-
Total	145.00	145.00	

Rationale

This rationale is being released to convey the change in the rated limits as depicted in the table above, based on the latest information received from the entity.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Supplier
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of AAL.

About the company

Incorporated in 1981, Automotive Axles Limited is a joint venture between BF Investment Limited, an investment holding company with investments in various Kalyani Group companies, and Meritor Inc., USA, a leading supplier of axles for CVs, with the JV partners holding 35.52% stake each. In February 2022, Cummins Inc. (rated Moody's A2) acquired 100% stake in Meritor, making AAL an indirect JV of Cummins Inc. The purchase consideration for the transaction was \$3.7 billion.

AAL is currently the largest independent manufacturer of rear drive axle assemblies for CVs (primarily M&HCVs) in India. Its product portfolio includes a wide range of axles catering to haulage trucks, tippers, tractor trailers and other off highway vehicles used for special purposes. The company also supplies drum and disc brake assemblies for trucks, trailers, buses and coaches and is the second largest brake manufacturer in India after Brakes India Private Limited. With manufacturing plants at Mysore, Pantnagar, Jamshedpur and Hosur, the company supplies its components to customers across India as well as in international markets. AAL's domestic customers include Ashok Leyland Limited, Daimler India Commercial Vehicles Private Limited, Man Trucks India Private Limited, Mahindra Vehicle Manufacturers Limited, Tata Motors Limited, etc, while internationally its business is largely routed through the parent company.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Current rating (FY2024)					Chronology of rating history			
Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	for the past 3 years			
					Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
					May 26, 2023	Mar 03, 2023	Feb 28, 2022 Oct 20, 2022	Dec 29, 2020
1 Term Loan	Long-term	12.50	10.42	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
2 Fund based	Long-term	-	-	-	-	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
3 Non-Fund based	Short-term	-	-	-	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4 Fund based/ Non-fund-based limits	Long-term/ short-term	132.50	-	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+	-	-	-
5 Unallocated	Long-term	-	-	-	[ICRA]AA-(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based - Term Loan	Simple
Fund based/Non-fund-based limits	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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2019	7.10%-7.25%	FY2026	12.50	[ICRA]AA- (Stable)
NA	Fund based/Non-fund-based limits	NA	NA	NA	132.50	[ICRA]AA- (Stable)/[ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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