

JAI Suspension Systems LLP

August 09, 2018

Summary of rated instruments

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|----------------------------|-----------------------------------|----------------------------------|---|
| Fund based/ Non-fund based | 45.00 | 45.00 | [ICRA]AA(SO) revised from [ICRA]AA-(SO) / [ICRA]A1+(SO) reaffirmed, outlook on the long-term rating revised to Stable from Positive |
| Total | 50.00 | 45.00 | |

Rating action

ICRA has upgraded the long-term rating for Rs. 45.00-crore¹ bank facilities of JAI Suspension Systems LLP ('JSS LLP' or 'the LLP') to [ICRA]AA(SO) (pronounced ICRA double A structured obligation) from [ICRA]AA-(SO) (pronounced ICRA double A minus structured obligation)². The outlook on the long-term rating has been revised to Stable from Positive. ICRA has also reaffirmed the short-term rating at [ICRA]A1+(SO) (pronounced ICRA A one plus structured obligation).

The letters SO in parenthesis suffixed to a rating symbol stand for 'Structured Obligation'. An SO rating is specific to the rated issue, its terms, and its structure. 'SO ratings' do not represent ICRA's opinion on the general credit quality of the issuers concerned.

Rationale

The rating is principally based on a corporate guarantee from Jamna Auto Industries Limited (JAI; holding 99.9985% of equity in JSS LLP and rated [ICRA]AA(Stable)/[ICRA]A1+) and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

Outlook: Stable

The rating outlook is driven by the rating outlook of the guarantor and change in the outlook on JAI's rating would lead to revision in outlook for JSS LLP.

Guarantor Profile: JAI

JAI is involved in manufacturing conventional leaf springs, parabolic leaf springs, air suspensions, and lift axles predominantly for commercial vehicles (CV). With an annual manufacturing capacity of 2,40,000 MT, the company is India's largest and the world's second largest CV spring manufacturer. Its manufacturing facilities are located at Yamuna Nagar (Haryana), Chennai (Tamil Nadu), Malanpur (Madhya Pradesh), Jamshedpur (Jharkhand), Hosur (Tamil Nadu), Pune (Maharashtra), and Sriperumbudur (Tamil Nadu).

¹100 lakh = 1 crore = 10 million

²For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

The ratings address the servicing of the bank loans as per the terms of the underlying sanction letter and the guarantee arrangement and further assumes that the guarantee will be duly invoked, in case there is a default in payment by the borrower. The guarantee from JAI would cover all the borrower obligations (principal sum together with interest, which is linked to base rate, costs, charges, expenses and/or other monies due to the bank in respect of sanctioned credit facilities) that may arise on the guaranteed bank loans, as per the terms of the underlying transaction documents. The rated instruments do not involve any structured payment mechanism, however, the ratings assigned are backed by an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Auto Component Manufacturers](#)

About the company

JSS LLP was set up in 2010 as a subsidiary of JAI. The LLP's plants are located in Pantnagar (Uttarakhand) and Lucknow (Uttar Pradesh), which cater to a portion of the leaf spring demand from Tata Motors Limited (TML), Ashok Leyland Limited (ALL) and the replacement market. The company also assembles and supplies assembly lift axles to ALL from the Pantnagar plant.

LLP benefits from the business synergies with its parent company, JAI, which enjoys extensive experience and established presence in the industry. For leaf springs (both conventional and parabolic), the LLP procures semi-finished products from JAI and undertakes value-addition operations (assembly, painting, packing and forwarding).

Key financial indicators (Audited)

| JSS LLP | FY2016 | FY2017 |
|------------------------------|--------|--------|
| Operating Income (Rs. crore) | 419.6 | 365.0 |
| PAT (Rs. crore) | 34.4 | 36.9 |
| OPBDIT/ OI (%) | 11.7% | 13.3% |
| RoCE (%) | 493.9% | 492.9% |
| Total Debt/ TNW (times) | 0.0 | 0.1 |
| Total Debt/ OPBDIT (times) | 0.0 | 0.0 |
| Interest Coverage (times) | 45.3 | 44.6 |
| NWC/ OI (%) | -0.9% | -1.8% |

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

| Instrument | Current Rating (FY2019) | | Chronology of Rating History for the past 3 years | | | | | | | |
|------------------------------|-------------------------|--------------------------|---|--|---|---|-------------------------|---|-----------------------------------|-------------------------------------|
| | Type | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating | Date & Rating | Date & Rating in FY2018 | Date & Rating in FY2017 | Date & Rating in FY2016 | | |
| | | | | Aug 2018 | Apr 2018 | May 2017 | - | Feb 2016 | Aug 2015 | Apr 2015 |
| 1 Fund Based/ Non-Fund Based | Long Term/ Short term | 45.00 | - | [ICRA]AA (SO) (Stable)/ [ICRA]A1+ (SO) | [ICRA]AA- (SO) (Positive)/ [ICRA]A1+ (SO) | [ICRA]AA- (SO) (Stable)/ [ICRA]A1+ (SO) | - | [ICRA]AA- (SO) (Stable)/ [ICRA]A1+ (SO) | [ICRA]A+ (Stable)/ [ICRA]A1+ (SO) | [ICRA]A (Stable)/ [ICRA]A1 (Stable) |

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: Instrument Details

| ISIN No | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---------|----------------------------|-----------------------------|-------------|---------------|--------------------------|---|
| NA | Fund Based/ Non-Fund Based | | | | 45.00 | [ICRA]AA (SO) (Stable)/ [ICRA]A1+ (SO) |

Source: JSS LLP

ANALYST CONTACTS

Subrata Ray

+91 22 6114 3408

subrata@icraindia.com

Anupama Arora

+91 124 4545303

anupama@icraindia.com

Sandhya Negi

+91 124 4545343

sandhya.negi@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents