

## SI Air Springs Private Limited

July 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	22.00	CARE A (RWD)	Placed on Rating Watch with Developing Implications
Short-term bank facilities	2.50	CARE A1 (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed ratings assigned to bank facilities of SI Air Springs Private Limited (SASPL) on "Credit Watch with developing implications" considering acquisition of 100% stake in entities of Italy based Roberto Nuti Group, a manufacturer and seller of suspension systems primarily for heavy vehicles. CARE Ratings understands that a special purpose vehicle (SPV) named SI Air Springs SRL has been incorporated in Italy to undertake the transaction. CARE Ratings is seeking greater clarity on the nature of the transactions and possible impact on the company's credit profile. CARE Ratings will continue to monitor developments and review ratings when greater clarity emerges.

Ratings assigned to bank facilities of SI Air Springs Private Limited (SASPL) continue to factor in the operating track record and well-established market position of its parent company in the automotive business, support derived in terms of raw material procurement and distribution from the group companies and strong presence of SASPL in original equipment manufacturers (OEMs) segment. Ratings also take note of the company's healthy capital structure, and comfortable liquidity position. However, ratings continue to be constrained by the company's relatively moderate scale of operations with a concentrated revenue base, volatility in raw material prices, and cyclical in the automobile industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustaining scaling up of operations above ₹300 crore.

#### Negative factors

- Deteriorating overall gearing above 0.80x
- Continuous declining operating margins below 7%.

**Analytical approach:** Standalone. Factoring in linkages with the promoter group.

### Detailed description of key rating drivers:

#### Key strengths

##### Long-standing experience of the promoter group in the auto-component industry

SASPL belongs to the TVS Mobility group, one of India's largest suppliers of automotive components. The company was earlier a 100% subsidiary of Sundaram Industries Private Limited (SIPL). In February 2022, the TVS group underwent a restructuring, where ownership and management of entities in the TVS group were aligned with a specific family. Following the restructuring, TAPL became 100% subsidiary of TVS Mobility Private Limited, which is one of the larger players in the Indian auto and auto ancillary industry with presence in manufacturing and distribution of auto and auto components. SASPL also derives benefits in terms of raw material procurement by meeting its requirement of natural/ neoprene rubber from TVS Srichakra Limited (TVSSL, a leading two and three-wheeler tyre manufacturer in India), which is a key raw material in the production of 'bellow', an important component in producing an air spring. The company is also able to leverage on the parent company's established track record to generate orders from new clients/OEMs.

#### Strong presence in OEM segment

SASPL manufactures and offers a wide range of air springs for suspension systems to cater to trucks, trailers, buses, and trains. It has strong relationships with some major OEMs in the country with its wide range of air springs, established product design, and strong brand image. SASPL's truck and trailer range of air springs (20 F & 228 CT) contributes major share of revenue with 50% sales contribution.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

**Healthy capital structure and debt coverage indicators**

Overall gearing stood NIL as on March 31, 2023, with no long-term loans and NIL utilisation of working capital limits. Interest coverage ratio stood comfortable at 264.06 as on March 31, 2023.

**Healthy operational performance**

The company's total income grew by nearly 84% in FY23 (refers to April 01 to March 31) to ₹130.43 crore from ₹74.98 crore in FY22. Robust increase in revenue has been considering buoyant demand for commercial vehicles (CVs) resulting in improved orders from the OEMs. In the last two years, the company has added new OEMs to its customer portfolio, contributing approximately 34% to the total revenue in FY23. In addition to sales to major OEMs, the company also supplies air springs to the rail segment, which contributed 11% to the total revenue in FY23. Going forward, the company plans to increase its supply to rail segment, which shall aid in further scaling up of operations. In FY24 (Provisional), the company reported a revenue of ₹140.42 crore. Healthy demand from OEMs and expected increase in share of sales from the rail segment shall drive revenue growth in the medium term.

**Key weaknesses****Profitability exposed to raw material price volatility**

SASPL procures natural and neoprene rubber sheets domestically from TVS Srichakra Limited and imports girdle hoops, beads, and fabrics. While the company enters short-term contracts for raw material procurement, fluctuations in currency rates can have an impact on margins. However, the company has initiated a programme of localisation for raw material procurement to reduce dependence on imported goods and reduce price volatility. The import has reduced significantly from being at 40% in FY17 to less than 10% in the last two years. The company's profit before interest, lease rentals, depreciation and tax (PBILDT) margins stood at 9.88% in FY23 and at ~10% in FY24.

**Prospects linked to automobile industry fortunes and competition from MNCs based in India**

SASPL being an auto component manufacturer, its fortunes are linked to the automobile industry's performance, especially the commercial vehicles (CV) sector. The automobile industry, being a cyclical industry, depends on the country's economic scenario, infrastructure development and government policies. The market of air spring suspension systems is characterised by a limited number of small unorganised players acting as suppliers except few major MNCs, who have started operations in India in the recent past. Considering SASPL's established association with OEMs and given that the process of switching a vendor for suspension system is long and tedious for OEMs, the company is expected to manage the present level of competition.

**Liquidity: Strong**

SASPL's liquidity stood strong with sufficient cushion in cash accruals against NIL long-term obligations. The operating cycle stood comfortable at 32 days in FY23 against 53 days in FY22. SASPL also enjoys extended credit period from its group company, TVSSL, and is able to maintain just-in-time inventory as TVSSL's manufacturing facility is adjacent to SASPL's plant. Average fund-based working capital utilisation stood NIL in 12-months ended March 2024, and cash balance stood at ₹8.06 crore as on March 31, 2023.

**Applicable criteria**

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Auto components	Auto components and equipment

SASPL was incorporated in January 2008 as 'Firestone TVS Automotive Private Limited'. The company was started as a joint venture (JV) between SIPL and Firestone Industrial Products Inc., USA (FSIP), to manufacture air springs used in air suspension systems for heavy CVs at its manufacturing facility in Madurai. In FY18, FSIP exited from the JV by selling its stake to SIPL, thereby making SASPL a 100% subsidiary of SIPL. Post the restructuring in the TVS group, TVS Mobility Private Limited (TMPL) has become SASPL's new parent entity and holds 100% in the company.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	70.98	130.43	140.42
PBILDT	4.95	12.89	NA
PAT	2.11	7.18	NA
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	27.48	264.06	NA

A: Audited, UA: Unaudited, NA: Not available, Note: 'these are latest available financial results'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	22.00	CARE A (RWD)
Non-fund-based - ST-Bank Guarantee		-	-	-	0.30	CARE A1 (RWD)
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.20	CARE A1 (RWD)
Non-fund-based - ST-Letter of credit		-	-	-	2.00	CARE A1 (RWD)

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	22.00	CARE A (RWD)	1)CARE A; Stable (29-Apr-24)	1)CARE A; Stable (31-Jan-24)	1)CARE A-; Stable (30-Dec-22)	1)CARE A-; Stable (02-Feb-22)
2	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A1 (RWD)	1)CARE A1 (29-Apr-24)	1)CARE A1 (31-Jan-24)	1)CARE A2+ (30-Dec-22)	1)CARE A2+ (02-Feb-22)
3	Non-fund-based - ST-Bank Guarantee	ST	0.30	CARE A1 (RWD)	1)CARE A1 (29-Apr-24)	1)CARE A1 (31-Jan-24)	1)CARE A2+ (30-Dec-22)	1)CARE A2+ (02-Feb-22)
4	Non-fund-based - ST-Credit Exposure Limit	ST	0.20	CARE A1 (RWD)	1)CARE A1 (29-Apr-24)	1)CARE A1 (31-Jan-24)	1)CARE A2+ (30-Dec-22)	1)CARE A2+ (02-Feb-22)

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Credit Exposure Limit	Simple
4	Non-fund-based - ST-Letter of credit	Simple

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

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### About us:

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