Jamna Auto Industries Limited

February 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	90.00	CARE AA-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to long-term bank facilities of Jamna Auto Industries Limited (JAIL) factors in the company's leading market position in domestic leaf springs segment for commercial vehicles (CV) and strong share of business with major original equipment manufacturers (OEM) benefitted from the strategic location of JAIL's manufacturing facilities across India in close proximity of key customers. Rating also draws strength from the healthy scale of operations, robust financial risk profile with nil long-term debt. CARE expects the financial metrics of the company to remain comfortable in near to medium term in absence of any debt laden capex plans. However rating factors in the ongoing expansion for Adityapur & Indore plant amounting t o ₹380-390 crore (approximately) for parabolic springs and U-Bolt (out of which company has already incurred ₹180 crore till December 2024), which shall aid to the revenue growth for the company going forward.

However, these rating strengths are tempered by concentration risk across the key customers, leaf springs and Medium and Heavy commercial vehicles (M&HCV) segment. JAIL has been persistently focussing towards expanding its share in export and after market through strengthening of distribution network and also diversifying its product mix with growing contribution from value added products such as parabolic springs, air suspension, lift axles, and other allied parts. However, CARE Ratings believes that the anticipated diversification in the product offerings and new markets would be achieved gradually.

The rating is further constrained due to profitability susceptible to raw material price volatility and intense competition from organised and unorganised players prevailing in the cyclical automobile industry. Ability of the management to gradually diversify its revenue stream through increasing contribution of value-added products across domestic and export aftermarket would remain imperative from credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in Scale of operation above ₹3,000 crore and sustaining its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins above 13%.
- Increase in the scale of new products and in aftermarket segment reducing dependence on leaf springs and OEMs.

Negative factors

- Decline is scale of operation below ₹2,000 crore or PBILDT margin below 10% on a sustained basis
- Any debt funded capex leading to moderation of TD/PBILDT above 1.5x

Analytical approach: Consolidated

CARE Ratings has taken a consolidated approach of JAIL and its subsidiaries engaged in the same line of business, common management and strong financial and operational linkages. The list of entities consolidated are presented in **Annexure-6**.

Outlook: Stable

'Stable' outlook assigned to bank facilities of JAIL based on CARE Rating's expectation that the company will continue to benefit from its leadership in leaf springs and strong business share from major OEMs resulting into sustained growth in revenue. Further it is expected that the capital structure is expected to remain healthy going forward as well.

Detailed description of key rating drivers:

Key strengths

Market leadership in Leaf Springs and strong share of business with OEMs

The company is a leader in the M&HCV leaf springs market, holding a market share of ~62-65%. It has established robust business relationships and have strong share of business with all major OEMs including Tata Motors, Ashok Leyland, Diamler India, Leyland kissan, Volvo etc. Additionally, the company has recently signed an MOU with Eicher Motors, securing ~60% of

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

the business for its Indore Spring plant. With strong relationships across all OEMs, JAIL is expected to maintain its market position going forward as well.

Focus on Product & Market diversification to improve contribution margins

JAIL has a diversified product portfolio that includes conventional leaf springs, parabolic leaf springs, air suspension, lift axles, and other allied parts, primarily for M&HCV. However, leaf springs contribute over 90% of the company's overall revenue which poses JAIL to product concentration risk. Company revenue is also concentrated towards OEM's with ~75-80% proportion of overall revenue.

With the aim to diversify its business model, Jamna Auto has outlined its Lakshya 50XT vision wherein it has intent and is focussed to increase share of sales from new products and new markets gradually. Contribution of Parabolic Spring in overall revenue increased from ~20% in FY21 to 38.50% in H1FY25. OEM are replacing Conventional Leaf springs with Parabolic Leaf springs. Accordingly going forward, sales of conventional leaf springs are expected to decline with offsetting increase in revenue from Parabolic springs. Parabolic spring has higher contribution margins than conventional leaf spring due to lesser metal consumption. This would results in better contribution margins going forward for JAI.

However, company's other product such as Lift Axles, U-bolt, Trailer Suspension, allied product still remain underpenetrated. Company' revenue from after-market segment and exports gradually improved in last 4-5 years and stood at ~21% in FY24 as compared to ~16% in FY19. Further Ramping up the scale of new value added product in aftermarket and accordingly diversifying its revenue stream from leaf spring and OEM's would remain a key monitorable.

Strategic location of Plants provides competitive advantage

JAIL has the highest capacity of leaf spring in India. Its manufacturing plants are strategically located near the OEM plants which provide JAI a competitive advantage over its competitors who have limited geographical reach and capacities. This leads to lower transportation cost, better supply chain efficiency and faster delivery. This gives the cost competitive advantage to the company leading to health profitability margins.

Comfortable credit profile

The company's Total operating income (TOI) improved from ₹1,719 crore in FY22 to ₹2,428 crore in FY24 owing to increase in sales volume from 1.45 Lakh tonne in FY22 to 1.84 lakh tonne in FY24. Company's TOI increased by ~4% in FY24, a moderation from the 35% growth seen in FY23 in line with growth in demand of M&HCV. In current fiscal, the demand for M&H commercial vehicles is expected to be subdued or low due to the high base effect and the impact of general elections, which may also result in muted growth in the company's operations as well. Profitability margins of the company stood 13.60% in FY24. Company has a stable profitability margin of 11-13% in the past five years as company is able to pass on increase in raw material prices to its customers. Going forward also, the company's profitability margins are expected to remain range bound withs some improvement to flow through with change in product mix.

Company has comfortable financial risk profile marked by overall gearing which stood at 0.32x as on March 31, 2024 (PY:0.13x). Company does not have any term debt, neither have any plans to take any long-term debt going forward. Net debt/ PBILDT of the company improved and stood at 0.66x compared to 1.49x on March 31, 2021 considering improvement in profitability. This is expected to sustain going forward as well due to the absence of any debt funded capex plans.

Company has capex plans of ~₹250-300 crore to be incurred in next 2 years toward completion of Adityapur & Indore plant apart from minor routine capex which is to be entirely funded through internal accruals. Accordingly, Company's financial risk profile is expected to remain comfortable going forward.

Key weaknesses

Product, segment and customer concentration risk

Tata Motors limited, and Ashok Leyland Limited are the key customers of the company contributing ~60% of the total sales, which poses JAIL to customer concentration risk. However, the risk is largely mitigated as the company has long track record of supplying to these reputed OEMs having strong market presence. Over 90% of revenue of the company is from leaf springs and from M&HCV segment which poses the company to product and segment concentration risk. JAIL plans to diversify to counter customer concentration risk by penetrating more in aftermarket & export market. Ramping up the scale of new value added product in aftermarket and accordingly diversifying its revenue stream from leaf spring and OEM's would remain a key monitorable.

Exposure to competitive and cyclical automobile industry

JAIL revenue remains closely aligned to the performance of key customers and in turn exposed to cyclical demand patterns inherent to the automobile industry and ability of the OEMs to sustain their operating performance. The demand for CV is highly cyclical, closely tied to the overall economic activity. During periods of economic growth, demand for CV rises due to increased industrial production and transportation needs. Conversely, during economic downturns, demand declines as businesses cut back on spending and transportation needs decline. Factor such as interest rates, fuel prices, and regulatory changes also influence the cyclicality of demand in this industry.

Profitability susceptible to raw material price volatility

Company is affected by the price volatility of certain commodities majorly steel which is the main raw material. Demand for metals is cyclical with prices driven by demand and supply conditions in the domestic market, which has strong linkages with the global market. However, Company is able to pass through the raw material price volatility as OEM's directly settle the price with Steel Suppliers and hence price amendment with both OEM's and Steel Suppliers happens simultaneously. This is also evident from the Stable PBILDT margins of 12-13% of the company in the last 4-5 years. However, Company is exposed to price volatility risk on its inventory which may adversely impact the margins.

Liquidity: Adequate

Company has adequate liquidity marked by sufficient cash accruals against nil debt repayment obligations. Company has free cash and cash equivalent of ~₹40 crore as on September 30, 2024. Fund-based working capital limits utilisation are moderately utilised leaving a buffer of ~₹160 crore as on October 30, 2024, which provide sufficient cushion for future exigency. Company's dividend payout and the capex plans of ~₹250-300 crore in next two years toward completion of Adityapur and Indore plants apart from minor routine capex can be easily funded through internal accruals.

Environment, social, and governance (ESG) risks

Environment: Company has installed Effluent and Sewerage treatment plants at its plants for treatment of wastewater and domestic sewerage. The Company re-uses its treated water in gardening and other permitted usages. The plants also has process in place to disposes wastes as per applicable laws and best practices. JAIL continues to increase its investments towards meeting regulatory standards and reduce environmental risk.

Social: Company's plants are ISO 45001OHSMS certified for occupational health and safety. Trainings on health and safety is provided at periodic intervals to workers and staff. The company has not reported any complaints relating to child labour, forced labour, involuntary labour, sexual harassment or discrimination at workplace in FY24. Thus, social risk of the company remains low and does not materially affect its credit profile.

Governance: Company is managed by professional board of directors, who have extensive experience in industry. The Board comprises seven Directors including one woman director. Independent Directors are more than 50% of the total number of Directors. There is audit committee, nomination and remuneration committee, stakeholders' relationship committee; risk management committee, which reduces governance risk.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Auto Components & Equipments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

JAIL is the flagship entity of Jamna group started by the first-generation promoter, Bhupinder Singh Jauhar in 1954 from a small shop in Yamuna Nagar which has now acquired global recognition as one of the major producers of Leaf and Parabolic Springs. The business is now managed by second-generation promoters, Pradeep Singh Jauhar, Managing Director & CEO, and his brother Randeep Singh Jauhar, Chairman & Executive Director, alongside a team of well-equipped professionals.

JAIL manufactures high-quality suspension solutions for a wide range of CVs. Company's product range includes Conventional Leaf Springs, Parabolic Springs, Lift Axles, Air Suspensions, and other allied products. JAIL is a well-known brand in automotive Industry catering to OEMs, Replacement Market, and Export Market for M&HCV and has a leadership position in leaf springs with

62-65% market share. Company has 11 manufacturing plants (two under construction) across India, each in proximity to CV OEMs which provide the company a competitive advantage. Company has highest annual capacity of springs of over 300,000 MT per annum as on March 31, 2024. Company is listed on BSE & NSE and the promoter holds 49.94% of shareholding as on December 31, 2024.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	2,326.31	2,427.55	1072.46
PBILDT	263.53	330.16	143.39
PAT	168.37	205.41	86.17
Overall gearing (times)	0.13	0.32	0.23
Interest coverage (times)	76.35	63.47	78.79

A: Audited UA: Unaudited ; 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

Detailed explanation of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	Proposed	90.00	CARE AA-; Stable

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-Term Loan	LT	90.00	CARE AA-; Stable				

LT: Long 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-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Jai Suspension Systems Private Limited	Full	Subsidiary
2	Jai Suspension Limited	Full	Subsidiary
3	Jai Automotive Components Limited	Full	Subsidiary

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 for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sabyasachi Majumdar Senior Director **CARE Ratings Limited** Phone: +91-12-0445 2006 E-mail: sabyasachi.majumdar@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Ravleen Sethi Director **CARE Ratings Limited** Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in Bhawna Rustagi Assistant Director **CARE Ratings Limited** Phone: 91-120-4452045 E-mail: Bhawna.Rustagi@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**