

November 1, 2022^(Revised)

JCBL India Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash Credits	12.50	12.50	[ICRA]BBB- (Stable); reaffirmed
Fund-based – Term Loans	-	2.16	[ICRA]BBB- (Stable); assigned
Non-fund Based	-	42.50	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
Unallocated	12.50	42.84	[ICRA]BBB- (Stable)/ [ICRA]A3; reaffirmed/ assigned
Total	25.00	100.00	

*Instrument details are provided in Annexure-I

Rationale

The action rating favourably factors in JCBL India Private Limited's (JCBL India/the company) track record of operations as a trader of auto parts and hand tools, etc., primarily in the export market and the experience of its promoters in the automobile sector. Additionally, the company's net worth and liquidity are healthy after it liquidated an investment in FY2022 for healthy profits. While the company part utilised these funds to support weaker associates, ICRA expects JCBL India's credit metrics to be healthy, going forward, reflected in low leverage, no major debt-funded expansion plans and adequate liquidity buffer.

The ratings are, however, constrained by the company's modest scale of operations and weak margins from the trading nature of operations. Moreover, JCBL India has supported weaker Group entities in the form of redeemable preference shares. The said entities are expected to turnaround performances pursuant to receiving such funding support, however, pending the same; any additional funding support to Group companies can lead to a pressure on its financial profile. The company has also extended corporate guarantees to some of the Group entities.

The Stable outlook on the [ICRA] BBB- rating reflects ICRA's opinion that the company's operational and financial profiles would remain largely stable, backed by the established business operations and lightly leveraged balance sheet.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in automobile business, part of Chandigarh-based JCBL Group – JCBL India has been in the trading of auto parts and hand tools since 2003. The company derives majority of the business from the export market, mainly the US, European countries and West Asia. It had initially started supplying parts for vintage cars to the US, and subsequently diversified with more products to new geographies. The promoters have been in the automobile business for more than three decades. Through other Group entities they have interests in auto dealerships, building of automobile bodies, tippers ambulances, railway coach parts, etc.

Healthy net worth and strong credit profile – In July 2021, JCBL India liquidated its 42.98% stake in Acme Formulations Private Limited for a net profit of ~Rs. 359 crore. It utilised ~Rs. 78.5 crore to support weaker Group entities by extending redeemable preference shares, which were mainly further utilised by the recipients for deleveraging and liquidity improvement. After the deployment, as of September 2022, JCBL had an investment portfolio of Rs. 134 crore. Subsequent to this transaction, JCBL India net worth position also stood healthy increasing to Rs. 307 crore in FY2022 from Rs. 29 crore in FY2021. The company's

low dependence on bank debt has kept its credit metrics at healthy levels. ICRA expects JCBL India's credit metrics to be healthy, going forward, reflected in low leverage, no major debt-funded expansion plans and adequate liquidity buffer.

Credit challenges

Modest scale of operations and margins – JCBL India has been reporting ~Rs. 40-50 crore of revenue in the last three-four years, which reflects a modest operating scale. The business had a modest operating profit margin (OPM) of ~5% in the past due to the trading nature of operations.

Support to Group entities – JCBL India has extended corporate guarantees of ~Rs. 53 crore towards its Group companies. Further, it has extended support in the form of preference shares to Group entities. Any further substantial support in the form of corporate guarantee or otherwise can lead to a pressure on its financial profile. As of March 2022, JCBL India's Net Debt, including guarantees extended/OPBDIT, stood at negative. ICRA notes that apart from the said guarantees, there are no other operational and financial linkages with Group entities.

Liquidity position: Adequate

JCBL India's liquidity position is **adequate**, supported by healthy investments of ~Rs. 134 crore (largely invested in equity mutual funds) as on September 30, 2022. The company has earned a cash profit Rs. 359 crore from its stake sale in Acme, part of which was utilised in funding support to the Group companies. The company has a moderate buffer of ~50% on an average over the last 12 months in its cash credit limit of Rs. 12.5 crore. The company has a modest repayment of ~Rs. 1.75 crore in FY2023.

Rating sensitivities

Positive factors - ICRA could upgrade the ratings, if the company demonstrates an improvement in the scale, including growth in standalone scale and operating profits, while maintaining the healthy profit margin and credit profile, along with a comfortable liquidity, on a sustained basis.

Negative factors - ICRA could downgrade the ratings, if there is any sharp decline in revenue and profitability at a standalone level, undertaking any major debt-funded capex or sizeable support to Group entities, on a sustained basis, which results in weakening of the credit profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of JCBL India

About the company

JCBL India Private Limited commenced its operations in 2003. The company is a part of the JCBL Group, based out of Chandigarh, promoted by the Agrawal family, presently headed by Mr. Rishi Agrawal. Initially, the company was supplying auto parts of vintage cars to the US. JCBL India is primarily involved in the business of export of automotive parts, hand tools and fasteners, vintage car restoration parts and agricultural parts & equipment like radiator, braking system, tyres & tubes, spanners, lubrication tools, castings, window frames, harvester parts, linkage parts, etc.

Key financial indicators (audited)

JCBL India standalone	FY2021	FY2022
Operating income	40.1	55.9
PAT	1.0	278.1
OPBDIT/OI	5.2%	4.7%
PAT/OI	2.5%	497.9%
Total outside liabilities/Tangible net worth (times)	0.7x	0.1x
Total debt/OPBDIT (times)	5.7x	3.6x
Net debt* (including corporate guarantees)/OPBDIT (times)	20.0x	(0.5x)
Interest coverage (times)	3.0x	2.9x

Source: Company, *net debt= total debt less free cash

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) *	Date & rating in FY2023		-	-	-
				Nov 1, 2022	Oct 28, 2022	-	-	-
1 Cash Credit	Long Term	12.50	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	-	-
2 Term Loans	Long term	2.16	2.16	[ICRA]BBB-(Stable)	-	-	-	-
3 Bank Guarantee	Long/Short Term	42.50	-	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-	-	-
2 Unallocated	Long/Short Term	42.84	-	[ICRA]BBB-(Stable)/ [ICRA]A3	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-	-

Source: Company, as on Oct 28, 2022

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Cash Credit	Simple
Long Term – Term Loans	Simple
Long and Short Term – Bank Guarantee	Very Simple
Long and Short Term – Unallocated	Not applicable

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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	12.50	[ICRA]BBB- (Stable)
NA	Term Loans	Apr 2018	NA	Mar 2024	2.16	[ICRA]BBB- (Stable)
NA	Bank Guarantee	NA	NA	NA	42.50	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Unallocated	NA	NA	NA	42.84	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

Corrigendum

Rationale dated November 1, 2022, has been corrected with revision as detailed below:

There is a correction in the summary of rating action table. The 2nd column in the summary of rating action table corrected as previous from current.

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545 328

shamsherd@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Sheetal Sharad

+91 124 4545 374

Sheetal.sharad@icraindia.com

Uday Kumar

+91 124 4545 867

uday.kumar@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

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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