March 28, 2024

JBM Ogihara Die Tech Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	13.32	4.95	[ICRA]BBB- (Stable); reaffirmed
Long-term/ Short -term – Fund based limits	6.50	6.50	[ICRA]BBB- (Stable)/[ICRA]A3; reaffirmed
Short-term – Interchangeable Limits	(6.50)	(6.50)	[ICRA]A3; reaffirmed
Long-term/ Short -term – Unallocated limits	0.68	0.05	[ICRA]BBB- (Stable)/[ICRA]A3; reaffirmed
Total	**20.50**	**11.50**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation continues to take into consideration JBM Ogihara Die Tech Private Limited's (JODT) access to technical and financial support from its parent companies, JBM Auto Limited (JBMA), Jay Bharat Maruti Limited (JBML; rated [ICRA]A+ (Stable)/ [ICRA]A1) and Ogihara Thailand Co. Ltd. (OTC), as well as its business and financial linkages with the JBM Group, which ensure revenue visibility and financial flexibility. The support from parent entities is likely to aid the company in generating healthy business going forward, and help it maintain its credit metrics at comfortable levels.

JODT benefits from the technical expertise of its parent companies, all of which are well-established players in the auto-component manufacturing space. The JBM Group, through its various joint ventures and companies, caters to sheet metal requirements of several original equipment manufacturers (OEMs) in India, including Maruti Suzuki India Limited (MSIL), Mahindra and Mahindra (M&M), Tata Motors Limited (TML), Renault and Nissan among others. OTC, on the other hand, is a well-established manufacturer of tools and dies globally. JODT is positioned as a tier-II supplier of tools for several automotive OEMs, which are customers of key JBM Group companies. It derives a bulk of its revenues from Group entities, with the key end customers being PSA Group, MSIL, Toyota Kirloskar Motors Limited (TKML), VE Commercial Vehicles Limited (VECV), Honda Cars India Limited (HCIL), Volkswagen (VW), etc. The extensive experience of the company's promoters in the automotive industry, coupled with business linkages of JODT with key JBM Group entities, offers comfort regarding revenue visibility for the company over the long term.

The company's financial risk profile remains comfortable with gearing of 0.3 times as on December 31, 2023 (provisional financials). The company's operating profit margin is expected to remain comfortable in the range of 13-15% over the medium term, which would support the debt coverage indicators. The company is finalising capex plans of Rs. 50-70 crore over the next few fiscals, with a view of setting up hot and cold forming capabilities. Even as the debt on the company's books is expected to increase, the company is likely to remain self-sufficient in servicing its debt repayment obligations over the medium term; ICRA also expects the company's parent entity, JBMA (or other Group entities), to extend financial support to it in case a need arises.

The ratings are constrained by the company's modest scale of operations with its business remaining limited to manufacturing tools and dies for the JBM Group. Its revenues stood at ~Rs. 32 crore in FY2023 and ~Rs. 39.1 crore in 9M FY2024. As JODT manufactures dies for the automotive sector, its earnings remain dependent on new model launches/facelifts planned by various OEMs, necessitating investments in toolings. Any downturn in automotive demand leading to slowdown in model launch plans of OEMs catered, has potential to adversely impact JODT's earnings prospects. In this regard, the JBM Group's long track record and established relationships with OEMs across the various automotive segments, are likely to continue to generate business for toolings, and provide some comfort.

The Stable outlook on the long-term rating reflects ICRA's belief that being a part of the JBM Group, the company is expected to have assured business from the Group, which will support its revenue prospects. Further, ICRA expects JODT to continue to benefit from its strong parentage as a JV with the JBM Group and OTC, which provides technical expertise and financial flexibility.

Key rating drivers and their description

Credit strengths

Access to technical expertise as JV between JBM Group and OTC, who have an established track record in the automotive component space – JODT benefits from the technical expertise of its parent companies, JBMA, JBML and OTC, all of which are well-established players in the auto-component manufacturing space. The vast experience of the company's promoters in the automotive industry, coupled with business linkages of JODT with key JBM Group entities, offers comfort regarding business stability for the company over the long term.

Strong parentage as part of the JBM Group ensures revenue visibility and financial flexibility – JODT is a tier-II supplier of tools for several automotive OEMs, which are customers of key JBM Group companies. It derived about 75-80% of its revenues in FY2023 from Group entities, namely JBM Auto, JBML, JBMI and NMPL, with the key end customers being the PSA Group, Eicher VECV, Mahindra & Mahindra, Tata Motors Limited, Nissan, etc. The business linkages with key JBM Group entities ensure revenue visibility, with the company having an order book of ~Rs. 20-25 crore normally at any point of time. Besides ensuring revenue visibility, JODT also derives financial flexibility from being a part of the JBM Group. Moreover, the JBM Group is expected to provide financial support to JODT, if the need arises.

Credit challenges

Modest scale of operations given the nature of business – JODT's scale of operations is expected to remain modest over the medium term, with its business operations remaining limited to manufacturing tools and dies for the JBM Group. Nevertheless, JODT registered a CAGR of ~32% since starting its operations in FY2020, aided by healthy order flows from JBM Group entities. Its revenues stood at ~Rs. 32 crore in FY2023 and ~Rs. 39.1 crore in 9M FY2024 on the back of healthy order flows from new and existing customers. Going forward, benefitting from being a part of the JBM Group, the company is expected to generate healthy annual business for tool/dies, which will support its revenue prospects.

Exposure to downturns in automotive industry with revenues dependent on new model launches by OEMs – JODT manufactures dies for the automotive sector; therefore, its earnings remain dependent on new model launches/facelifts planned by various OEMs, necessitating investments in toolings. Any downturn in automotive demand leading to slowdown in the model launch plans of its client OEMs has the potential to adversely impact JODT's earnings prospects. In this regard, the JBM Group's long track record and established relationships with OEMs across the various automotive segments are likely to continue to generate business for toolings and provide some comfort.

Liquidity position: Adequate

JODT's liquidity profile remains adequate, despite modest cash balances, supported by average buffer of Rs. 1.3 crore over the average drawing power of Rs. 2.9 crore in the 12-month period ended December 2023, expected cash accruals of Rs. 4–4.5 crore per annum, and its financial flexibility as part of the JBM Group. Against the available sources of cash, the company has debt repayments obligations of ~Rs. 4-5 crore p.a. in FY2024 and FY2025 and moderate capex requirements (~Rs. 1.6 crore in FY2024 and ~Rs. 25 crore p.a. in FY2025 and FY2026), which are expected to be met from a mix of internal accruals, funding support from parent, available lines of credit and new term loans.

Rating sensitivities

Positive factors – Sustained scale up in operations and profitability metrics backed by healthy order flows, will be considered favourably for a rating upgrade. Improvement in the credit profile of the parent company, JBM Auto Limited, could also trigger a rating revision.

Negative factors – The ratings could be downgraded in case of weakening in the credit profile of the parent company or weakening of financial and operational linkages with the parent company. The ratings could also be downgraded in case of deterioration in the financial profile of the company due to any large debt-fund capex. A specific credit metric for a downgrade is if Total Debt/ OPBDITA is above 3.5 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Parent company: JBM Group The ratings assigned to JODT factor in the high likelihood of the JBM Group extending financial support to it because of close business linkages between them. ICRA also expects the JBM Group to be willing to extend financial support to JODT out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	The ratings are based on the standalone financial statements of the issuer.

About the company

Incorporated in 2018, JBM Ogihara Die Tech Private Limited is a 51:39:10 joint venture among JBM Auto Limited, Jay Bharat Maruti Limited and Ogihara Thailand Co. Limited. The company manufactures press stamping dies, including ultra-high tensile and critical body in white (BIW) dies, primarily for JBM Group entities. The company's plant is a new tool room located in Greater Noida (Uttar Pradesh).

JBM Auto Limited: JBMA was incorporated in 1996 and is a major player in the domestic auto-component space, manufacturing sheet metal components, assemblies and sub-assemblies, tools, dies and moulds. It is a tier-I supplier of components, catering to various OEMs across automotive segments including M&M, TML, VECV, Honda Motorcycles & Scooters, Fiat India, Escorts Limited, and TAFE, among others. Additionally, it ventured into the bus manufacturing space in FY2017 with a facility in Kosi, Uttar Pradesh, catering to some large orders across CNG and electric bus (e-bus) spaces. At present, JBMA has 16 manufacturing facilities across the country. It has also set up a separate entity, JBM Electric Vehicles Private Limited, to cater to the increased demand for e-buses. It has also set up SPVs to operate e-buses for tenders its won from various State Road Transport Undertakings (SRTUs). JBMA is listed on the stock exchanges, with its Indian promoter family and companies controlling a 67.5% stake.

Jay Bharat Maruti Limited: JBML, a public limited company, was incorporated in 1987 as a JV between the Arya family and MSIL. JBML manufactures sheet metal-based BIW components, rear axle assemblies, fuel neck components and assemblies, besides designing and developing dies and moulds, automotive machines and equipment. The company has four manufacturing facilities, two in Gurgaon (Haryana), and one each in Manesar (Haryana) and Gujarat. The facilities include imported and indigenous press lines, robotic welding lines, along with plating and painting facilities. From starting off with making sheet metal components and assemblies for PVs, JBML has added capabilities to produce exhaust systems, rear axles, torsion beams and fuel filler necks over the years.

Ogihara Thailand Co. Limited: OTC is a leading manufacturer of automotive tools and dies as well as stamping/ sub-assembly parts for local and international car/truck manufacturers. OTC has two manufacturing facilities at Ladkrabang Industrial Estate, Bangkok, and Gateway City Industrial Estate, Chachoengsao. At present, OTC has two JVs in India—JBM Ogihara Automotive

India Limited (JOAIL) and JODT—and three affiliated companies in Pakistan (Agriauto Stamping Company), the Philippines (Valerie Products Mfg., Inc.) and Malaysia (Industrial Quality Management SDN BHD.

Key financial indicators (audited)

JODT Standalone	FY2022	FY2023	9M FY2024*
Operating income	33.3	31.9	39.1
PAT	1.9	1.0	-
OPBDIT/OI	14.0%	12.7%	13.1%
PAT/OI	5.7%	3.0%	-
Total outside liabilities/Tangible net worth (times)	1.1	0.7	-
Total debt/OPBDIT (times)	0.7	2.4	1.6
Interest coverage (times)	16.6	4.2	7.8

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Feb 29, 2024 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2022
					Mar 28, 2024	Dec 7, 2022	-	-
1	Term loans	Long-term	4.95	4.95	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	-
2	Fund-based limits	Long-term and short term	6.50	--	[ICRA]BBB-(Stable)/ [ICRA]A3	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-
3	Interchangeable limits	Short-term	(6.50)	--	[ICRA]A3	[ICRA]A3	-	-
4	Unallocated limits	Long-term and short-term	0.05	--	[ICRA]BBB-(Stable)/ [ICRA]A3	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term/ Short -term – Fund-based limits	Simple
Short-term – Interchangeable Limits	Very Simple
Long-term/ Short -term – Unallocated limits	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	**Term Loan-I**	December 2021	NA	March 2025	4.95	[ICRA]BBB-(Stable)
NA	**Fund Based limits**	NA	NA	NA	6.50	[ICRA]BBB-(Stable)/ [ICRA] A3
NA	**Interchangeable limits**	NA	NA	NA	(6.50)	[ICRA]BBB-(Stable)
NA	**Unallocated limits**	NA	NA	NA	0.05	[ICRA]BBB-(Stable)/ [ICRA] A3

Source: Company Data

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis - NA

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