July 26, 2024

Jay Bharat Maruti Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	254.86	445.76	[ICRA]A+ (Stable); reaffirmed and assigned for the enhanced amount
Long-term/ Short -term – Fund based limits	600.00	760.00	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed and assigned for the enhanced amount
Long-term/ Short -term – non-fund based limits	10.00	10.00	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Long-term/ Short -term – Interchangeable Limits	(190.00)	(185.00)	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Long-term/ Short -term - Unallocated Limits	0.14	0.24	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed and assigned for the enhanced amount
Total	**865.00**	**1,216.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmed ratings for the bank facilities of Jay Bharat Maruti Limited (JBML) reflect ICRA's expectations that its credit profile shall remain supported by a steady growth in revenues and earnings, backed by its well-established position as one of the key suppliers of sheet metal components to Maruti Suzuki India Limited (MSIL), the market leader in the domestic passenger vehicle (PV) segment. Over the years, JBML has emerged as a key supplier of sheet metal-based body-in-white (BIW) components, rear axle assemblies and fuel necks to the original equipment manufacturer (OEM) for almost its entire model range.

Despite high competition among the sheet metal component manufacturers, JBML benefits from its cost-competitive manufacturing capabilities, steady investments in setting up capacities as well as its extensive track record and favourable ownership structure, with MSIL holding a 29.3% stake as a joint venture (JV) partner in the company. The latter, apart from providing revenue visibility, also enables operational support towards facilitating technical tie-ups with the Japanese suppliers for the design and development of select model-specific components. Although JBML faces high client concentration risk, with MSIL accounting for nearly 85-90% of its revenues, ICRA takes comfort from the established relationship between JBML and MSIL, as well as from the OEM's leadership position in the domestic PV industry with ~42% market share in FY2024, which mitigates business risks to a large extent.

JBML derives its entire revenues from the domestic PV market, making its earnings susceptible to any downturns in the same. The company's revenues declined in FY2020 and FY2021 due to a sharp slowdown in the domestic automotive market and the pandemic-induced lockdown, respectively. Nevertheless, JBML's YOY revenue grew by ~39% in FY2022 and ~13% in FY2023, aided by a healthy demand in the PV industry. Its revenues remained flattish in FY2024 on the back of static growth in MSIL's volumes and on a high base of FY2023. However, the operating profitability was constrained by adverse commodity prices, with an operating profit margin of 7.3% in FY2024 (7.4% in FY2023). Nevertheless, the margin is expected to gradually improve going forward, aided by operating leverage benefits. Going forward, JBML's performance is expected to be largely linked to that of its key customer, MSIL.

JBML, being strategically important to MSIL, had set up a greenfield facility in Gujarat to cater to the OEM's new manufacturing facility in the state, the third phase of which was commercialised in FY2021. Accordingly, the company incurred a sizeable debt-funded capital expenditure (capex) over the recent years, resulting in sizeable debt repayment obligations over the medium term. At present, the company is setting up two new manufacturing plants (one each in Gujarat and Kharkhoda, Haryana) in line with the OEM's capacity expansion plans. Accordingly, the company's dependence on external borrowings for the expansion of new projects is expected to remain high over the medium term. The anticipated healthy cash accruals, aided by an expected earnings improvement, are expected to help the entity maintain a stable credit profile over the medium term. However, any slowdown in offtake can cause temporary cash flow mismatches. Accordingly, ICRA would continue to monitor the company's liquidity position. Additionally, JBML's debt profile remains characterised by asset-liability mismatch (ALM), owing to high dependence on short-term fund sources. The improved ALM position would remain critical for the strengthening of its balance sheet, which will continue to be monitored. The JBM Group's strong business position and relationships with bankers, however, provide comfort.

The Stable outlook on the long-term rating reflects ICRA's opinion that JBML will continue to benefit from its strong business position with MSIL as a key supplier of BIW parts over the long term, which will help it generate healthy cash accruals and maintain a stable credit profile. Despite the weakening of the credit metrics in the near term due to the entity's material capex plans for capacity enhancements, the metrics are likely to improve gradually over the medium term and revert to levels commensurate with the ratings.

Key rating drivers and their description

Credit strengths

Strong market position in sheet metal-based components; established relationship with MSIL – JBML enjoys a healthy share of business across major models of MSIL, the largest PV manufacturer in the country with a domestic market share of ~42% in FY2024. The company is a major supplier of BIW parts (such as welded sheet metal assemblies) for some of MSIL's key models produced at its facilities in Haryana and Gujarat, providing healthy revenue visibility. JBML is one of the suppliers who have been allocated a plot in the vendor park in MSIL's upcoming plant in Kharkhoda, Haryana. The strong market position of MSIL provides comfort to JBML's revenue growth prospects over the medium term.

JV partnership with MSIL mitigates business risks and augurs well for business expansion – JBML is a strategic supplier of key sheet metal components for the OEM. MSIL entered into a JV with the company, holding a 29.3% equity stake in it. In addition to aiding favourable technical collaborations, the ownership arrangement mitigates business risks for JBML and augurs well for gaining new businesses going forward.

Diversified product portfolio aids in high CPV supplied to OEM – JBML's product offerings remain well diversified, given its presence across multiple products, including BIW components, rear axle assemblies, mufflers and fuel neck assemblies. This enables it to capture a large share of the kit value supplied to OEMs and aids in revenue visibility.

Credit challenges

Significant client concentration risk with almost 90% of revenues from MSIL – JBML remains primarily dependent on MSIL for a major share of its revenues, with the OEM contributing 85-90% of its revenue in FY2024. However, the strong relationship with the OEM and its leadership in the domestic market largely mitigate the business risks.

Exposed to demand downturns in domestic PV industry – As JBML derives its entire revenues from the domestic PV market, its earnings remain susceptible to downturns in that market. After experiencing healthy growth in revenues in FY2024, the company's revenue moderated by ~2% on a YoY basis, as MSIL's production volume largely remained flat. Also, the company's profitability indicators were impacted in FY2023 and FY2024, primarily due to adverse commodity prices and increased fixed costs from incurring capex and setting up new plants. Going forward, JBML's performance is expected to remain largely linked to that of its key customer, MSIL, and the PV industry.

Debt profile characterised by high dependence on short-term borrowings; significant capex plans to increase dependence on external borrowings – The company has been incurring continuous capex over recent years with respect to its facility in Gujarat. Its overall debt levels have remained high at ~Rs. 538.2 crore (including bill discounting facilities from HDFC Bank). The lease liabilities increased from ~Rs. 5 crore in FY2023 to ~Rs. 112 crore in FY2024 owing to the addition of lease liabilities.

Additionally, the balance sheet is characterised by ALM due to the dependence on short-term borrowings to meet some of the long-term requirements. Overall, the debt repayment obligations remain high over the upcoming quarters, which, in case of any unanticipated pressure on earnings, could expose the company to some refinancing risks. JBM Group's strong business position and relationships with bankers, however, provide comfort.

Environmental and Social Risks

Environmental considerations: While JBML is not directly exposed to climate-transition risks from the likelihood of tightening emission control requirements, as its products are used across different fuel powertrains, its automotive manufacturing customers are highly exposed to these risks. Accordingly, JBML's prospects are linked to its customers' ability to adhere to stringent emission requirements. The company's exposure to litigation/penalties from issues related to waste and water management remains relatively lower.

Social considerations: JBML, like most automotive component suppliers, has a healthy dependence on human capital. Retaining skilled employees, maintaining healthy employee relations and ensuring a robust supplier ecosystem remain essential for the disruption-free operations of the entity. Another social risk that JBML faces is that of product safety and quality, wherein instances of product recall and high warranty costs may lead to financial implications, harm its reputation and create a long-lasting adverse impact. In this regard, JBML's strong track record in catering to leading automotive manufacturers underscores its ability to mitigate these risks to an extent.

Liquidity position: Adequate

JBML's liquidity position is adequate, aided by the expected cash flow generation of ~Rs. 120-140 crore per annum, unutilised working capital limits (average buffer of ~Rs. ~30-40 crore during the 12-month period that ended in June 2024). The company has debt repayment obligations of ~Rs. 99 crore for FY2025 and Rs. 150-200 crore for FY2025-FY2026, which are expected to be met from the cash flow generation from operations, available lines of credit and incremental term loans. Overall, ICRA believes JBML's financial flexibility and its access to financial markets as the flagship entity of the JBM Group, coupled with its established business position with MSIL, would support it in raising additional funds in case of any temporary cash flow mismatches.

Rating sensitivities

Positive factors – ICRA could upgrade JBML's ratings if there is healthy revenue growth while maintaining profitability indicators, such as RoCE above 15%. Any significant improvement in the company's financial risk profile, which strengthens its credit metrics, such as total debt[1]/OPBITDA below 1.5 times on a sustained basis, would also remain a key monitorable for an upgrade.

Negative factors – A sustained deterioration in JBML's financial risk profile or liquidity due to a slowdown in the PV industry, or any further sustained material deterioration in the ALM position could lead to ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable

[1] *Total debt considered here would include reported debt, supplier's credit facilities as well as bill discounting facilities that are with recourse to the company, even if these are off balance-sheet facilities.*

Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of JBML. As on March 31, 2024, the company had one associate company, which is enlisted in Annexure-II

About the company

JBML, a public limited company, was incorporated in 1987 as a JV between the Arya family and MSIL. The company 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. The company is also setting up two new manufacturing plants at Kharkhoda, Haryana and Gujarat. 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. JBML is listed on the BSE and the NSE, with its Indian promoter family and companies controlling a 30.1% equity.

Key financial indicators

JBML Consolidated	FY2023	FY2024*
Operating income	2,344.2	2,292.1
PAT	37.1	31.0
OPBDIT/OI	7.4%	7.3%
PAT/OI	1.6%	1.4%
Total outside liabilities/Tangible net worth (times)	1.9	2.1
Total reported debt/OPBDIT (times)	1.9	2.6
Total debt/OPBDIT (times)**	2.9	3.2
Interest coverage (times)	4.7	4.2

*Source: Company, ICRA Research; * Limited Audit; All ratios as per ICRA's calculations; Amount in Rs. crore*

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

***Note: Total Debt shown in the table above includes reported debt and bill discounting facilities (except that from DBS Bank, as the same is without recourse to the company)*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022^
				July 26, 2024	May 29, 2023	May 30, 2022	May 21, 2021
1	**Fund Based Limits**	Long term and short term	760.00	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**
2	**Non Fund-Based Facilities**	Long term and short term	10.00	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**
3	**Term Loans**	Long term	445.76	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**
4	**Interchangeable Limits**	Long term and short term	(185.00)	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	-	-
5	**Unallocated Limits**	Long term and short term	0.24	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**
6	**Commercial Paper Programme**	Short term	-	**[ICRA]A1; withdrawn**	**[ICRA]A1; withdrawn**	**[ICRA]A1**	**[ICRA]A1**
7	**NCD Programme**	Long term	-	-	-	**[ICRA]A+ (Stable); withdrawn**	**[ICRA]A+ (Stable)**

^Update on details of lender facilities was released on Sep 06, 2021

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based Limits	Simple
Non-Fund-Based Facilities	Very simple
Term Loans	Simple
Interchangeable Limits	Very simple
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**	FY2018	NA	FY2027	29.63	[ICRA]A+(Stable)
NA	**Term Loan-II**	FY2015	NA	FY2029	401.98	[ICRA]A+(Stable)
NA	**Term Loan-III**	FY2020	NA	FY2025	1.65	[ICRA]A+(Stable)
NA	**Term Loan-IV**	FY2022	NA	FY2026	12.50	[ICRA]A+(Stable)
NA	**Fund Based Limits**	NA	NA	NA	760.00	[ICRA]A+(Stable)/[ICRA]A1
NA	**Non Fund-Based Facilities**	NA	NA	NA	10.00	[ICRA]A+(Stable)/[ICRA]A1
NA	**Interchangeable Limits**	NA	NA	NA	(185.00)	[ICRA]A+(Stable)/[ICRA]A1
NA	**Unallocated Limits**	NA	NA	NA	0.24	[ICRA]A+(Stable)/[ICRA]A1

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	JBML Ownership	Consolidation Approach
Jay Bharat Maruti Limited	100.00% (rated entity)	Full Consolidation
JBM Ogihara Die Tech Private Limited	39.00%	Equity Method

Source: JBML annual report FY2023

Note: ICRA has taken a consolidated view of the parent (JBML), its subsidiaries and associates while assigning the ratings

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