November 29, 2024

JBM Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short -term – Fund based working capital	20.00	20.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Long-term/ Short -term – Non Fund based	5.00	5.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Long-term/ Short -term – Fund based/ Non fund based working capital	90.00	90.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Long-term/ Short -term – Unallocated Limits	5.00	8.32	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Long-term Fund-based – Term loan	15.00	11.68	[ICRA]BBB+ (Stable); reaffirmed
Total	**135.00**	**135.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation factors in the expectation that steady operational performance of JBM Industries Limited (JBMI) would continue going forward, aided by established relationships with its customers. The revenues are expected to gradually scale up, with its diversified product profile likely to help it offset any volatility in demand. The ratings reaffirmation also factors in the company's healthy financial flexibility emanating from being a part of the JBM Group.

The company is present in four product lines — auto components, fabrications, fasteners and toolings — catering to various automotive segments including four-wheelers, two-wheelers, commercial vehicles, railways and construction equipment, and accordingly, is well diversified. Over the years, the group companies have consistently driven more than 40% of JBMI's revenues, providing healthy revenue visibility for the company. Further, the Group companies have established relationships with key original equipment manufacturers (OEMs), providing comfort about their business prospects.

The company reported a healthy revenue growth of ~30% in FY2024, aided by the ramp-up in supplies for its joint venture, JBMI EV Industries Limited (JBM EVI), the bus fabrication business, and higher tooling revenues. The scale of operations of these businesses is expected to further improve in FY2025, driven by healthy order book for JBM Auto Limited (a group company to which JBMI supplies fabrication parts for buses), which is expected to benefit JBMI's fabrication division and its joint venture, JBM EV Industries Private Limited's (JBM EVI's) prospects. Further, JBMI's customers like Mahindra & Mahindra (M&M) and JCB India continue to enjoy a strong position in the domestic tractor and construction equipment markets, respectively. ICRA notes that the business of JBM Agri (the company's subsidiary) has been closed as JBMI has sold all its assets to M&M in February 2024. JBMI had invested ~Rs. 36 crore in the company and sold it at a similar value to M&M, with no losses suffered by JBMI.

The company's operating profit margin improved to 7.7% in FY2024, aided by a healthy ramp-up in the scale of operations and reduction in raw material and employee costs. A ramp-up in the scale of operations is expected to help improve the margins to high single digits over the near-to-medium term.

JBMI's consolidated debt levels in FY2024 remained at similar levels as in FY2023, The company's coverage metrices improved in FY2024, aided by healthy scale-up of operations and steady profit margins, with an interest coverage of ~3.7 times in FY2024 (~1.4 times in FY2023) and Total Debt/ OPBITDA of ~2.9 times (~9.1 times in FY2023). Going forward, the company has limited capex requirements, which are expected to keep dependence on incremental external borrowings limited. Further, expectation of an increase in the company's earnings is likely to help improve the credit metrices gradually over the medium term.

The Stable outlook on the long-term rating reflects ICRA's opinion that JBMI will continue to benefit from its strong business relationships with its key customers, which will help the entity generate healthy earnings and maintain a stable credit profile. An expectation of healthy ramp-up in sales of the new entity (JBM EVI) over the medium term is also expected to support the company's business prospects.

Key rating drivers and their description

Credit strengths

Financial flexibility for being a part of the JBM Group and steady business with Group companies – JBMI enjoys strong financial flexibility and lender comfort as it belongs to the JBM Group, which is one of the leading manufacturers of sheet metal-based auto components in India, with presence across sub-segments of the industry. JBMI is positioned as a tier-II supplier of certain components, which are supplied to Group companies such as Jay Bharat Maruti Limited (JBML), JBM Auto Limited (JBMA), and Neel Metal Products Limited (NMPL). The company consistently generates more than 40% of its revenues from the Group companies annually (~59% in FY2024). Besides business linkages ensuring revenue visibility, the company benefits from the synergies in common material sourcing, supply chain and managerial expertise.

Diversified product portfolio and operations with presence in automotive and non-automotive segments – JBMI is involved in manufacturing exhaust systems, sheet metal components, and fasteners through its various divisions. Revenues from the fabrication and auto component divisions have grown considerably over the past few years and contributed ~78% to the revenues in FY2024 at a standalone level. In the auto component division, ~42% of the revenues is derived from the construction equipment manufacturers. Railways also remains a key customer to the company. Hence, JBMI's varied range of products allows it to cater to both automotive and non-automotive segments. Additionally, its automotive segment caters to tier-I component manufacturers, which further cater to passenger vehicles and two-wheeler OEMs. A healthy diversification thus aids in mitigating the impact of any slowdown in the auto industry to an extent.

Credit challenges

Debt-funded capex resulted in moderation in credit metrics; ramp-up in scale of operations from the new unit expected to improve the same – As on March 31, 2024, the company's debt was estimated at ~Rs. 120.3 crore at a consolidated level. Although the debt levels had increased in FY2022 and FY2023, the same remained at similar levels in FY2024. An increase in scale in profitability has aided the company in reporting improved coverage indicators in FY2024, with an interest coverage of ~3.7 times (FY2023: 1.4 times) and Total Debt/ OPBITDA at ~2.9 times (FY2023: 9.1 times) in FY2024. Going forward, the company has limited capex requirements, which are expected to lower dependence on incremental external borrowings. Further, expectation of improvement in the company's earnings, aided by ramp-up in revenues in JBM EVI, is likely to help improve the credit metrics gradually over the medium term.

High revenue volatility in tender-based businesses of fabrication division – The Indian Railways drove ~10% and ~15% of JBMI's revenues in FY2024 and FY2023, respectively. While the railway business adds diversification to the portfolio, this is largely tender-based and hence volatile in nature.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by expectation of comfortable cash flow from operations, and an average buffer of Rs. 19.6 crore, vis-à-vis the drawing power, during the 12-month period ending in August 2024. In addition, the company enjoys strong financial flexibility for being a part of the JBM Group. Against this, the company has debt repayments of ~Rs. 7.5 crore in FY2025 and ~Rs. 8.9 crore in FY2026, along with limited capex requirements, which are expected to be met from internal accruals and undrawn bank lines.

Rating sensitivities

Positive factors – The ratings may be upgraded if there is a significant improvement in the company's scale of operations, while maintaining comfortable credit and profitability indicators.

Negative factors – A downward pressure on the ratings may arise in case of a decline in profitability indicators or weakening of credit metrics such as interest coverage below 3.7 times on a sustained basis. In addition, a significant increase in working capital intensity may also put pressure on the company's liquidity position and may exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the rated entity. The company has one subsidiary and one joint venture, which are enlisted in Annexure-2.

About the company

JBMI was incorporated in 1982 to manufacture and supply engineering products such as baffles, piping parts, doors, booms etc. In FY2010, it amalgamated with three companies — Jaico Steel Fasteners Limited, Jay Bharat Exhaust Systems Limited and Jay Bharat Breed Limited. At present, the company operates five business divisions (in order of contribution to revenues in FY2024)— the auto component division, the fabrication division, the farm equipment division, the tool room division and the fasteners division. The company is a part of the JBM Group, which has been involved in manufacturing sheet-metal components for the automotive industry since 1985. It is positioned as a tier-II supplier of components to its various Group companies and generates close to 40% of its turnover from them. The Group is promoted by Mr. S. K. Arya, with an experience of over three decades in the manufacturing industry.

Key financial indicators (audited)

JBMI Consolidated	FY2023	FY2024
Operating income	406.9	529.2
PAT	-6.1	17.0
OPBDIT/OI	3.1%	7.7%
PAT/OI	-1.5%	3.2%
Total outside liabilities/Tangible net worth (times)	1.4	1.5
Total debt/OPBDIT (times)	9.1	2.9
Interest coverage (times)	1.4	3.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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 (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
				Nov 29, 2024	Aug 31, 2023	May 30, 2022	-
1	**Fund Based Limits**	Long term and short term	20.00	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-
2	**Non-Fund-Based Facilities**	Long term and short term	5.00	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-
3	**Term Loans**	Long term	11.68	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**	-
4	**Fund based/ Non-Fund-Based Facilities**	Long term and short term	90.00	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-
5	**Unallocated Limits**	Long term and short term	8.32	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short -term – Fund based working capital	Simple
Long-term/ Short -term – Non-Fund based	Very Simple
Long-term/ Short -term – Fund based/ Non fund based working capital	Simple
Long-term/ Short -term – Unallocated Limits	Not Applicable
Long-term Fund-based – Term loan	Simple

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 Loans**	January 2023	NA	March 2028	11.68	[ICRA]BBB+ (Stable)
NA	**Fund Based Limits**	NA	NA	NA	20.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	**Non Fund-Based Facilities**	NA	NA	NA	5.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	**Fund/Non Fund-based Limits**	NA	NA	NA	90.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	**Unallocated Limits**	NA	NA	NA	8.32	[ICRA]BBB+ (Stable)/ [ICRA]A2

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	JBMI Ownership	Consolidation Approach
JBM Industries Limited	Rated entity	Full Consolidation
JBM EV Industries Private Limited	49.00%	Proportionate Consolidation
JBMI Agri Private Limited*	100.00%	Full consolidation

Source: JBMI Annual Report FY2024

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

**The business of JBM Agri (the company's subsidiary) has been closed, with JBMI selling all its assets to M&M in February 2024.*

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