January 31, 2025

JBM Ogihara Automotive India Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based — Cash Credit	56.00	66.00	[ICRA]BBB (Stable); reaffirmed
Short-term fund-based — Bill Discounting	41.00	41.00	[ICRA]A3+; reaffirmed
Long-term — Term Loans	56.86	44.06	[ICRA]BBB (Stable); reaffirmed
Non-Fund Based Limits	4.00	4.00	[ICRA]A3+ reaffirmed
Long-term/ Short-term — Unallocated Limits	0.14	2.94	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed
Total	**158.00**	**158.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation continues to factor in the healthy business prospects for JBM Ogihara Automotive India Limited (JOAIL), aided by the cross-badging agreement between Toyota Kirloskar Motors Limited (TKML) and Maruti Suzuki India Ltd (MSIL), under which the two original equipment manufacturers (OEMs) have agreed to manufacture vehicles for each other for the Indian market. The deal augurs well for JOAIL and would support its business prospects in addition to diversifying its customer base. JOAIL recorded a healthy growth in revenues over the past two fiscals, aided by supplying components of TKML's model launches – Hycross and Hyryder (launched as Grand Vitara under the cross-badging arrangement with MSIL). In addition to the significantly higher volumes that these business orders entail, the content per vehicle for these models is also higher than the previous models due to business secured for some new parts. The company is expected to post revenues of Rs. 550-600 crore in FY2025, with ~Rs. 376 crore of revenue (including other income) recorded in H1 FY2025 (provisional financials).

The ratings reaffirmation also takes into account the technical expertise and business support received by JOAIL from its parent companies, JBM Auto Limited (JBMA) and Ogihara Thailand Company (OTC), which are established players in the automotive sheet metal component manufacturing space. The ratings further factor in the established relationship of JOAIL with its primary customer, TKML, supported by the established relationship between OTC and the Toyota Group, globally.

ICRA notes that despite the increase in operations, the company's operating profitability continues to remain muted (expected to be in the range of 5-5.5% in FY2025). Consequently, its return and debt coverage indicators remain suppressed. Nonetheless, ICRA expects the company's profitability to gradually improve, going forward, aided by operating leverage benefits and reduction in proportion of bought-out parts, which would lead to a gradual improvement in the debt coverage metrics.

The ratings are constrained by the high client concentration risk as a major portion of its revenues is derived from TKML. However, comfort can be drawn from the company's success in gaining business for new models of TKML, including two models under the cross-badging agreement between TKML and MSIL. The debt-funded capex to enhance capacity resulted in a deterioration in the capital structure (adjusted total debt [excluding lease]/ TNW fell to 3.5 times in FY2023 from 1.9 times in FY2022). The company further plans to invest significantly in capex to service the new plant being established by TKML. Even as the leverage metrics are expected to remain under pressure, the margin is likely to increase as improved capacity utilisation is expected to support its debt coverage metrics.

The Stable outlook on the long-term rating factors in an expectation that the company will continue to benefit from its established relationship with TKML, which is further strengthened by the global linkages between the Toyota Group and OTC.

The business prospects of the company remain healthy over the medium term, aided by its recent business gains. Additionally, the company enjoys technical and business support, besides financial flexibility for being a part of the larger JBM Group.

Key rating drivers and their description

Credit strengths

Strong parentage with both JV partners having established track record in the sheet-metal components space – JOAIL is a 51: 49 JV between JBMA and OTC, both of which are well-established players in the auto component manufacturing space. JOAIL benefits from the technical expertise of its parent companies in its scope of operations, which supports its business prospects.

Established relationship with key customer, TKML, supported by global linkages between the foreign parent (OTC) and Toyota Group– JOAIL's foreign parent, OTC, is one the key suppliers of sheet metal components as well as tools and dies to the Toyota Group globally. For JOAIL, it has been instrumental in gaining business for supplying components for TKML's new models in the country over the years. In the recent business awards from TKML, the company secured some additional components, which were earlier supplied by competitors. This also offers comfort regarding its business position with TKML.

Model launches under cross-badging agreement between Toyota and Suzuki augur well for JOAIL's growth prospects – JOAIL was successful in gaining business for two new models of TKML (including one under the cross-badging agreement between TKML and MSIL), due to which the company's revenue increased significantly over the past two years. The content per vehicle for the two models is also higher at Rs. 16,000-Rs. 17,000 per vehicle on an average compared to Rs. 7,000-10,000 for the models previously serviced by JOAIL, as the company gained business for some new parts as well, which were earlier supplied by a competitor. The cross-badging agreement between the two OEMs augurs well for the business prospects of JOAIL.

Credit challenges

Exposed to client concentration risk– JOAIL's business profile is characterised by high client concentration risk as a major portion of its revenues is derived from TKML. However, comfort can be drawn from the company's success in gaining business for new models of TKML, including two models under the cross-badging agreement between Toyota and Suzuki.

Debt-funded capex resulted in moderation in credit metrics; gradual improvement in the same expected, going forward – The debt-funded capex to enhance capacity led to a deterioration in the capital structure in FY2024 [adjusted total debt (excluding lease)/ TNW fell to 3.5 times in FY2023 from 1.9 times in FY2022], but the same remained stable at 3.5 times in FY2024. The company further plans to invest significantly in capex to service the new plant being established by TKML. Though the leverage metrics are likely to remain under pressure, an increase in the margin (with the rise in capacity utilisation) is expected to help improve the debt coverage metrics.

Liquidity position: Adequate

JOAIL's liquidity position is expected to remain adequate, supported by the buffer in working capital facilities (average buffer of Rs. 3-4 crore against the average drawing power of ~Rs. 37 crore in the cash credit facilities), and expectation of steady cash flows. Against this, the company has debt repayments of ~Rs. 14 crore. The company is planning a total capex of Rs. 58 crore wherein Rs. 44 crore will be funded by term loan and the rest via internal accruals.

Rating sensitivities

Positive factors – Significant scale-up in operations, aided by new businesses from customers, while improving profitability indicators and debt coverage indicators would be critical for ratings upgrade. Specific credit indicators that could lead to upward revision in ratings include TOL/TNW below 1.8 times on a sustained basis.

Negative factors – The ratings may be downgraded if the company is unable to improve profitability and credit metrics because of higher-than-expected debt-funded capex or slower-than-expected ramp-up of new businesses.

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 standalone financial profile of the company.

About the company

Incorporated in 2009, JBM Ogihara Automotive India Limited (JOAIL) is a 51:49 joint venture (JV) between JBM Auto Limited and Ogihara (Thailand) Co. Ltd. (OTC). The JV was formed for manufacturing and supplying steel stampings and sub-assembly of automotive sheet metal parts, such as under body panels, fuel filler and other assemblies for TKML's small car, Etios Liva (launched in 2011). The company has since gained business for other TKML's models, such as Innova, Fortuner, Hycross and Hyryder. The company began commercial production from its plant at the TKM Onsite Supplier Park, Bangalore, from November 30, 2010. The second phase of the project began production from September 5, 2011, for supplying parts for TKML's car models.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	388.7	538.4
PAT	0.3	1.9
OPBDIT/OI	4.1%	5.2%
PAT/OI	0.1%	0.4%
Total outside liabilities/Tangible net worth (times)	8.2	7.4
Total debt/OPBDIT (times)	9.2	5.3
Interest coverage (times)	3.0	2.1

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:

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Jan 31, 2025	Date	Rating	Date	Rating	Date	Rating
Short term-Bill discounting-fund based	Short Term	41.00	[ICRA]A3+	30-Oct-23	[ICRA]A3+	-	-	-	-
Short term-others-non fund based	Short Term	4.00	[ICRA]A3+	30-Oct-23 -	[ICRA]A3+ -	26-May-22	[ICRA]A3	-	-
						19-Jul-22	[ICRA]A3	-	-
Long term / short term-unallocated-unallocated	Long Tem/Short Term	2.94	[ICRA]BBB (Stable)/[ICRA]A3+	30-Oct-23 -	[ICRA]BBB (Stable)/[ICRA]A3+ -	26-May-22	[ICRA]BBB-(Stable)/[ICRA]A3	-	-
						19-Jul-22	[ICRA]BBB-(Stable)/[ICRA]A3	-	-
Long term-cash credit-fund based	Long Term	66.00	[ICRA]BBB (Stable)	30-Oct-23 -	[ICRA]BBB (Stable) -	26-May-22	[ICRA]BBB-(Stable)	-	-
						19-Jul-22	[ICRA]BBB-(Stable)	-	-
Long term-term loan-fund based	Long Term	44.06	[ICRA]BBB (Stable)	30-Oct-23 -	[ICRA]BBB (Stable) -	26-May-22	[ICRA]BBB-(Stable)	-	-
						19-Jul-22	[ICRA]BBB-(Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Cash Credit	Simple
Bill Discounting	Simple
Term Loans	Simple
Non- Fund Based 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	NA	NA	Sep 2027	26.00	[ICRA]BBB (Stable)
NA	Term Loan-II	NA	NA	Oct 2027	18.06	[ICRA]BBB (Stable)
NA	Bill Discounting	NA	NA	NA	41.00	[ICRA]A3+
NA	Cash Credit	NA	NA	NA	66.00	[ICRA]BBB (Stable)
NA	Non-Fund based Facilities	NA	NA	NA	4.00	[ICRA]A3+
NA	Unallocated Limits	NA	NA	NA	2.94	[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

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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