April 03, 2025

FJM Cylinders Private Limited: Rating upgraded

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short -term – Non-Fund based limits	165.00	165.00	[ICRA]BBB+(Stable)/[ICRA]A2; upgraded from [ICRA]BBB (Stable)/A3+
Long-term/ Short -term – Fund based limits	225.00	225.00	[ICRA]BBB+(Stable)/[ICRA]A2; upgraded from [ICRA]BBB (Stable)/A3+
Long-term Fund-based – Term loans	40.70	40.70	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB (Stable)
Long-term/ Short -term – Unallocated limits	32.30	32.30	[ICRA]BBB+(Stable)/[ICRA]A2; upgraded from [ICRA]BBB (Stable)/A3+
Total	**463.00**	**463.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings upgrade takes into consideration expectations of improvement in the credit metrics for the entity going forward, aided by healthy earning growth benefitting from strong business position with Maruti Suzuki India Limited (MSIL), the market leader in the passenger vehicle industry, and the increasing acceptance of Compressed Natural Gas (CNG)-fueled vehicles in India.

The ratings continue to favourably factor in FJM's established relationships with key Original Equipment Manufacturer (OEM) clients for supply of Compressed Natural Gas (CNG) cylinders. FJM's key customer, MSIL, remains highly focused on introducing CNG variants across its model range amid increasing acceptance for CNG vehicles in the country, aided by lower running cost and increased availability of CNG outlets across the country. Being a manufacturer of CNG cylinders for automobile applications as well as a key supplier to MSIL, FJM is well positioned to benefit from the increasing demand for CNG vehicles, which is likely to generate healthy cash flows going forward. FJM reported a healthy revenue growth of ~106% in FY2024 (revenues of Rs. 583.7 crore), aided by ramp-up in supplies to its customers. The strong revenue growth has continued in the current fiscal, with the company reporting revenues of ~Rs. 521 crore in 9M FY2025. The scale-up in operations helped the company record healthy capacity utilisation levels, the company has expanded its capacity to 4.8 lakh cylinders/annum in FY2025 (total capex outlay of Rs. 50-53 crore to enhance capacity from 3.84 lakh cylinders/annum), factoring in healthy schedules from its customers. Even as the company has recorded healthy growth in revenues, its margins remained largely steady (OPM of 9.7% in 9M FY2025 and 10.8% in FY2024, vis-à-vis 11.7% in FY2023), despite some increase in raw material prices; even as the raw material price hike has been passed on to the customers, the conversion costs have remained largely unchanged.

Despite improving business prospects and credit profile, the ratings remain constrained by the moderate leverage and debt coverage metrics, led by enhanced debt undertaken to fund the capex plans. Further, the company has a high utilisation in the working capital limits due to the nature of operations as there is a six-month lead time in the imports of raw materials. With an increase in the scale of operations, the company's working capital requirements have also increased with Rs. 180 crore of short debt outstanding as of January 2025. However, aided by an improved scale of operations and resulting cash flows, the company's credit metrics are expected to report a gradual improvement, going forward (Total Debt/OPDBITA expected to moderate to 2.7 times by FY2026). Even as FJM is expected to remain self-sufficient in meeting its capex requirements and debt repayments, the ratings continue to derive strength from the company being a part of the JBM Group, with Neel Metal Products Limited (NMPL; rated [ICRA]A (Positive)/[ICRA]A2+) as its holding company. The parentage of the JBM Group provides additional operational and financial support.

ICRA notes that the company has no material capex plans over the near term, with further capacity addition plans to be undertaken factoring in the ramp-up in supplies to OEMs and resulting production schedules; any material capex outlay towards capacity enhancement would remain monitorable. The ratings remain constrained by FJM's high product concentration with entire revenues being generated from gas cylinders. Additionally, unlike other CNG kit manufacturers who cater to multiple industries like healthcare, firefighting, food and beverages, etc., FJM manufactures cylinders solely for automobile applications. Accordingly, it remains exposed to any slowdown in the automotive sector. The company is also exposed to client concentration risk with MSIL driving 90-95% of its revenues in FY2024. However, the revenue concentration risk is partly offset by MSIL's market leadership status in the Indian PV industry and expectations of ramp-up in supplies to other customers such as Hyundai Motors India Limited (HMIL) and Ashok Leyland Limited (ALL), going forward.

The Stable outlook on the long-term rating reflects ICRA's expectations that FJM's business prospects remain healthy, given the established relationships of the JBM Group with various OEMs and favourable demand environment for CNG vehicles. The company's financial profile is expected to remain comfortable, aided by increasing revenues and steady profitability.

Key rating drivers and their description

Credit strengths

Established relationships with key OEMs provide revenue visibility - FJM has a 45-50% share of business with its major client, MSIL, and continues to gain business for various models of the OEM, making it a strategically important supplier for MSIL. Additionally, it is one of the key suppliers of Hyundai Motors India Limited (HMIL) and Suzuki Motor Gujarat (SMG), which provides healthy revenue visibility. FJM's business prospects remain healthy, aided by its key OEM client's increasing focus on introducing CNG variants for its models and growing demand for CNG-fuelled vehicles, which is expected to support volume and revenue growth over the medium term.

Favourable demand for CNG vehicles, given the regulatory push, lower running cost and healthy increase in CNG outlets across the country – ICRA expects the demand for CNG vehicles to remain healthy over the near to medium term, aided by increasing availability of CNG and favourable economics of using CNG vis-à-vis alternative fuels. Improving CNG availability and favourable operating economics, aided by its superior mileage, supported the increase in adoption pace of the powertrain over the past few years (reached levels of ~17% in H1 CY2024). The launch of various variants by leading OEMs has enhanced the options available to the buyers and has, in turn, further aided the demand for CNG vehicles.

Access to financial as well as operational support from parent entity – The JBM Group has an extensive presence in the Indian automotive industry and enjoys established relationships with various automotive OEMs. As part of the JBM Group, FJM benefits from shared synergies in material sourcing and managerial expertise. Further, the Group has a history of supporting FJM financially through equity infusion and unsecured loans. Although, going forward, FJM is expected to be self-sufficient in meeting its debt repayments and capex requirements, ICRA expects funding support to come from the promoter group to meet temporary cash flow mismatches, as and when required.

Credit challenges

High dependence on MSIL; leadership position of the OEM in the PV industry mitigates the risk to some extent – MSIL accounted for 90-95% of FJM's total revenues in FY2024, resulting in significant client concentration risks. However, this is mitigated to some extent by the leadership position of MSIL in the PV industry. Further, ramp-up in supplies to other customers such as HMIL and ALL in the customer mix, along with plans to add new customers, is expected to reduce customer dependence to some extent over the medium term.

High product and segment concentration risks; exposed to slowdown in automotive sector – FJM is a single-product company, which manufactures CNG cylinders only for automobiles, indicating high product and segment concentration risks.

As such, any slowdown in the automotive sector could adversely impact its revenues. The improving demand for CNG vehicles mitigates the risk to an extent.

Debt-funded capex led to moderation in leverage metrics– The company incurred a capex of Rs. 50-55 crore towards capacity enhancement (4.8 lakh cylinders/annum from ~3.8 lakh cylinders/annum) during 9M FY2025, in line with the healthy demand of CNG vehicles and higher sales expectations by MSIL. This is expected to moderate the credit metrics of the company for FY2025. However, the company has no near-term plans for additional capex. ICRA expects that healthy cash flow generation will help the company in gradually improving its credit metrics over the medium term.

Profitability exposed to fluctuations in prices of key raw materials and product mix – The primary raw material for the company is seamless steel tubes. FJM, like other players in the domestic industry, imports majority of its raw material requirements from Italy and China. The operations, therefore, remain susceptible to fluctuations in the prices of seamless tubes. The company has a pass-through clause with its customers under which any change in raw material price is passed on to customers, albeit with a lag. The company's margins during FY2024 contracted marginally to 10.8%, which was largely due to an increase in raw material prices. The company margins stood at 9.7% as of 9M FY2025 as per provisional financials, the margins are expected to remain at levels of 10-11% over the medium term.

Liquidity position: Adequate

FJM's liquidity position remains **adequate**, characterised by expectations of steady cash flows and high utilisation of working capital limits (limited buffer in working capital limits during the eight-month period ended in January 2025). Against this, the company has debt repayments of Rs. 17.8 crore in FY2026. The company has no material capex plans over the near to medium term, with capacity expansion for the fourth line recently completed. The company's financial risk profile remains supported by financial support from its parent company.

Rating sensitivities

Positive factors – ICRA could upgrade FJM's ratings, if the company is able to demonstrate a continued ramp up in the scale of operations, supported by gain of business from new customers. The ability of the company to improve profit margins, leading to improvement in credit metrics and liquidity position, would remain key.

Negative factors – ICRA could downgrade FJM's ratings, in case of any material weakening in the credit profile of its parent company or weakness in linkages with the parent. A material deterioration in the credit metrics due to larger-than-expected dividend payout or debt-funded capex could also lead to downgrade in ratings. Specific credit metric for a downgrade is interest coverage less than 3.2 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Parent Company: Neel Metal Products Limited (NMPL) The ratings assigned to FJM factor in the very high likelihood of its parent entity, NMPL (rated [ICRA]A (Positive)/[ICRA]A2+), extending financial support to it because of the close business linkages between them and out of the need to protect its reputation from the consequences of a Group entity's distress. NMPL has historically provided financial support to FJM in the form of preference shares and unsecured loans.
Consolidation/Standalone	The ratings are based on standalone financial statements of the issuer.

About the company

FJM Cylinders Private Limited (FJM) started commercial operations in April 2014 and manufactures compressed natural gas (CNG) cylinders as well as cylinders of other high-pressure gases for supplies primarily to automobile OEMs. The company's manufacturing facility is at Bawal, Haryana, with a manufacturing capacity of ~4.8 lakh cylinders/annum as of March 2025. The company enhanced its capacity from 2.64 lakh cylinders/annum to 3.84 lakh cylinders/annum in FY2023 and further added capacity in FY2025 reaching 4.8 lakh cylinders/annum capacity.

The company was set up as 50:50 joint venture between Shreeeaumjee Infrastructure & Projects Private Limited (SAI, Indian Promoter) and Faber Industries, Italy (foreign partner). Effective January 2016, 49% of Faber's stake was bought out by Neel Metal Products Limited (NMPL, rated [ICRA]A (Positive)/ [ICRA]A2+, a JBM group company). In FY2022, NMPL acquired 50% stake from SAI and currently holds 99% stake in FJM.

Key financial indicators (audited)

FJM Standalone	FY2023	FY2024	9MFY2025*
Operating income	283.9	583.7	521.0
PAT	10.9	22.0	27.2
OPBDIT/OI	11.7%	10.8%	9.7%
PAT/OI	3.8%	3.8%	5.2%
Total outside liabilities/Tangible net worth (times)	2.3	1.6	-
Total debt/OPBDIT (times)	6.6	2.5	-
Interest coverage (times)	3.4	3.2	-

*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

Current (FY2026)				Chronology of rating history for the past 3 years					
			FY2026	FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	April 03, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	40.70	**[ICRA]BBB+(Stable)**	Jan 15, 24	[ICRA]BBB (Stable)	Jan 09, 23	[ICRA]BBB (Negative)	Dec 30, 21	[ICRA]BBB (Stable)
Fund-based limits	Long term and short term	225.00	**[ICRA]BBB+(Stable)/ [ICRA] A2**	Jan 15, 24	[ICRA]BBB (Stable)/ [ICRA]A3+	Jan 09, 23	[ICRA]BBB (Negative)/ [ICRA]A3+	Dec 30, 21	[ICRA]BBB (Stable)/ [ICRA]A3+
Non Fund Based Limits	Long term and short term	165.00	**[ICRA]BBB+(Stable)/ [ICRA] A2**	Jan 15, 24	[ICRA]BBB (Stable)/ [ICRA]A3+	Jan 09, 23	[ICRA]BBB (Negative)/ [ICRA]A3+	Dec 30, 21	[ICRA]BBB (Stable)/ [ICRA]A3+
Unallocated Limits	Long term and short term	32.30	**[ICRA]BBB+(Stable)/ [ICRA] A2**	Jan 15, 24	[ICRA]BBB (Stable)/ [ICRA]A3+	Jan 09, 23	[ICRA]BBB (Negative)/ [ICRA]A3+	Dec 30, 21	[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
Long-term/ Short -term – Non Fund-based 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**	FY2023	NA	FY2027	40.70	[ICRA]BBB+(Stable)
NA	**Long-term/ Short -term – Fund-based Limits**	NA	NA	NA	225.00	[ICRA]BBB+(Stable) / [ICRA] A2
NA	**Long-term/ Short -term – Non Fund-based Limits**	NA	NA	NA	165.00	[ICRA]BBB+(Stable) / [ICRA] A2
NA	**Long-term/ Short -term – Unallocated Limits**	NA	NA	NA	32.30	[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 - NA

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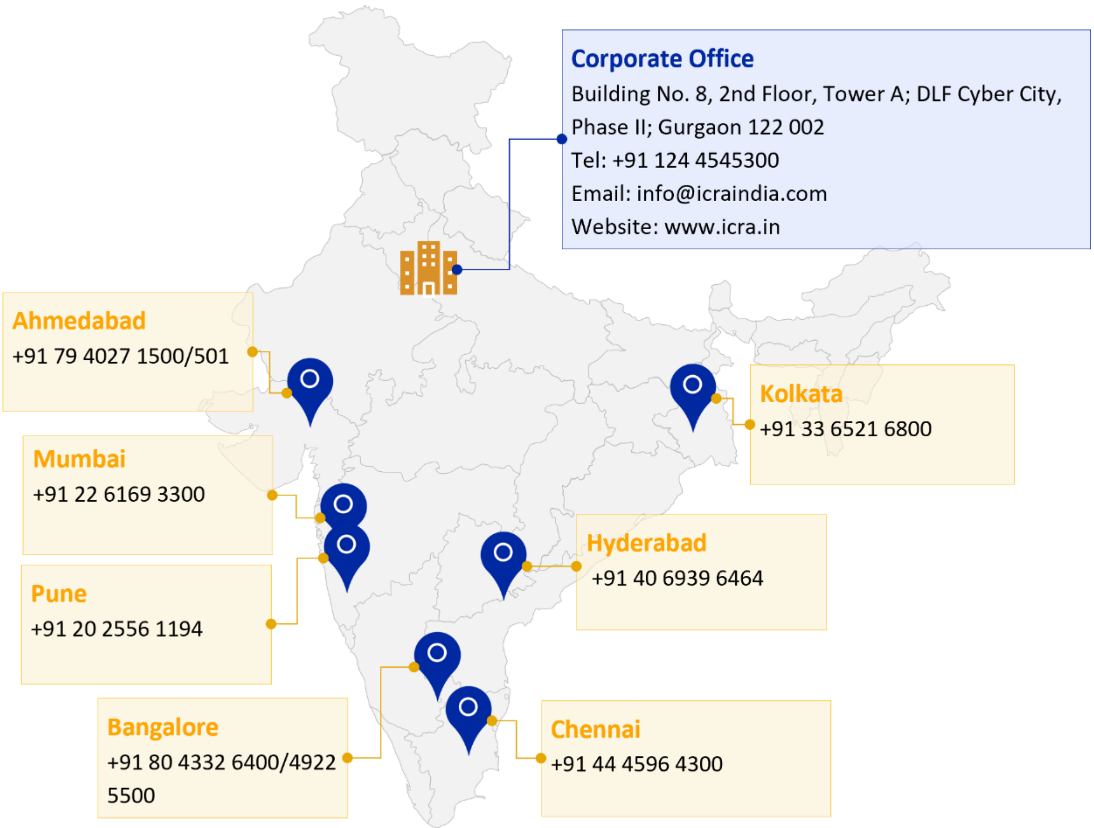

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