

August 31, 2023

JBM Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	20.00	20.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Non-fund Based Facilities	5.00	5.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Fund/Non-fund Based Limits	90.00	90.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Unallocated Limits	20.00	5.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Term Loans	-	15.00	[ICRA]BBB+ (Stable); reaffirmed
Total	135.00	135.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in expectation of a healthy scale up in operations for JBM Industries Limited's (JBMI) newly set up plants (at a consolidated level under subsidiary/joint venture), aided by established relationships with its customers. The scale up in revenues is likely to lead to improved earnings for the entity, with JBMI's diversified product profile likely to help it offset any volatilities in demand. The rating reaffirmation also factors in the company's healthy financial flexibility emanating from being 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 fairly 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), thereby providing comfort about their business prospects.

The company's revenues de-grew by ~4% in FY2023, impacted by delays in commencement/ ramp up of supplies for its subsidiary, JBMI Agri Private Limited (JBM Agri), the bus fabrication business, and deferment of some tooling orders to FY2024. Nevertheless, the scale of operations of these businesses is expected to improve in FY2024, driven by healthy order book for JBM Auto Limited (group company to whom 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 customer, Mahindra & Mahindra (M&M) continues to enjoy a strong position in the domestic tractor market, with a market share of ~40% in FY2023; a ramp up in supplies for the OEM is likely to aid the farm division and JBM Agri's business.

The company's operating profit margin is estimated to have contracted to 4.0–5.0% in FY2023, led by a delayed ramp up in supplies for new businesses and, consequently, lower absorption of fixed costs. A ramp up in scale of operations is expected to help improve the margins to high single-digits over the near to medium term. Additionally, a part of the tooling revenues for the company was not recorded in FY2023 on account of a delay in commencement of businesses; hence the tooling revenues are also expected to be higher in FY2024 and aid the entity's margin profile.

JBMI's consolidated debt levels have increased over the last two years due to debt-funded capex incurred for setting up the new plants in its group companies, JBMI Agri and JBM EVI. The company's coverage indicators weakened in FY2023 because of reduction in operating profits, with interest cover estimated to be ~1.6 times (FY2022: 6.5 times) and Total Debt/ OPBITDA at ~7.5 times (FY2022: 3.2 times) in FY2023. Nevertheless, going forward, the company has limited capex requirements, which is expected to keep dependence on incremental external borrowings low. Further, an expectation of improvement in the company's earnings is expected to help improve the credit metrics 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 new entities, JBMI Agri and JBM EVI, over the medium term are also expected to support the company's business prospects.

Key rating drivers and their description

Credit strengths

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

Diversified product portfolio; well diversified 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 close to ~78% of revenues in FY2023. Of the fabrication and auto component division revenues, ~42% and 65% are derived from the construction equipment manufacturers and the Indian Railways, respectively. In addition, the farm equipment division (including revenues of JBMI Agri) grew to ~10% of its revenues in FY2023. 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, who 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 has resulted in moderation in credit metrics; ramp up in scale of operations from new units expected to aid improvement in the same – As on March 31, 2023, the company's debt is estimated to be ~Rs. 115 crore at a consolidated level. The debt levels have increased over the last two years due to debt-funded capex incurred for the new plants in its Group companies, JBMI Agri and JBM EVI. The company's coverage indicators weakened in FY2023 because of reduction in operating profits, with interest cover estimated to be ~1.6 times (FY2022: 6.5 times) and Total Debt/ OPBITDA at ~7.5 times (FY2022: 3.2 times) in FY2023. Nevertheless, going forward, the company has limited capex requirements, which is expected to keep dependence on incremental external borrowings low. Further, an expectation of improvement in the company's earnings aided by ramp up in revenues in JBMI Agri and JBM EVI are expected 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 ~15% and ~8% of JBMI's revenues in FY2023 and FY2022, respectively. While the railway business adds diversification to the portfolio, this is largely tender-based and, hence, volatile in nature. In addition, these could stress margins and become unsustainable as was the case in the now closed cylinder division. ICRA notes that the management has indicated that the company has won tenders worth Rs. 90-95 crore for railway business, which provides adequate revenue visibility.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by expectation of comfortable cash flows from operations, average buffer of Rs. 6.3 crore vis-à-vis drawing power during the 12-month period ending in June 2023 and undrawn term loans of ~Rs. 3 crore as of August 2023. In addition, the company enjoys strong financial flexibility as part of the JBM Group. Against

this, the company has debt repayments of ~Rs. 7.7 crore in FY2024 and ~Rs. 11.7 crore in FY2025 along with limited capex requirements, which are expected to be met from internal accruals and undrawn bank lines.

Rating sensitivities

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

Analytical approach

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

About the company

JBMI was incorporated in 1982 to manufacture and supply engineering products such as baffles, piping parts, doors and booms. 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 the order of their revenue shares in FY2023)—auto component, fabrication, farm equipment, tool room, and fasteners. 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*	FY2021	FY2022
Operating income	274.2	421.2
PAT	6.6	15.6
OPBDIT/OI	7.5%	8.5%
PAT/OI	2.4%	3.7%
Total outside liabilities/Tangible net worth (times)	1.1	1.6
Total debt/OPBDIT (times)	3.7	3.2
Interest coverage (times)	3.5	6.5

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

Source: Company, ICRA Research; All calculations are as per ICRA Research; computed on consolidated level post ICRA adjustments

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of June 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Aug 31, 2023	May 30, 2022	-	Mar 31, 2021
1 Fund Based Limits	Long term and short term	20.00	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	[ICRA]BBB (Positive)/ [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 (Positive)/ [ICRA]A2
3 Fund/Non Fund-based Limits	Long term and short term	90.00	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	[ICRA]BBB (Positive)/ [ICRA]A2
4 Unallocated	Long term and short term	5.00	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-
5 Term Loans	Long term	15.00	11.94	[ICRA]BBB+ (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based Limits	Simple
Non Fund-Based Facilities	Very Simple
Fund/Non Fund-based Limits	Simple
Unallocated Limits	Not applicable
Term Loans	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	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	5.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	Term Loans	January 2023	NA	March 2028	15.00	[ICRA]BBB+ (Stable)

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
JBMI Industries Limited	Rated entity	Full Consolidation
JBMI EV Industries Private Limited	49.00%	Proportionate Consolidation
JBMI Agri Private Limited	100.00%	Full consolidation

Source: JBMI annual report and company data

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Branches



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