

JMT Auto Limited

Instrument	Amount Rated	Rating Action
Term Loans	Rs. 91.80 crore	Downgraded to [ICRA]BB-; removed from watch with negative implications; negative outlook assigned
Fund-based Facilities	Rs. 87.00 crore	Downgraded to [ICRA]BB-; removed from watch with negative implications; negative outlook assigned
Unallocated Limits	Rs. 16.60 crore	Downgraded to [ICRA]BB-; removed from watch with negative implications; negative outlook assigned
Non-fund Based Facilities	Rs. 53.60 crore	Downgraded to [ICRA]A4; removed from watch with negative implications
Bill Discounting Facility	Rs. 1.00 crore	Downgraded to [ICRA]A4; removed from watch with negative implications

ICRA has revised downward the long-term rating to the Rs. 91.80-crore¹ term loans, the Rs. 87.00-crore fund-based facilities and the Rs. 16.60-crore unallocated limits of JMT Auto Limited (JMT)² from [ICRA]BB+(pronounced ICRA double B plus) to [ICRA]BB- (pronounced ICRA double B minus). ICRA has also downgraded the short-term rating to the Rs. 53.60-crore non-fund based facilities and to the Rs. 1.00-crore bill-discounting facility of JMT from [ICRA]A4+(pronounced ICRA A four plus) to [ICRA]A4 (pronounced ICRA A four). The ratings have been removed from watch with negative implications. The outlook assigned to the long-term rating is negative.

The revision in the ratings take into account JMT's large size debt-funded acquisition of two auto component manufacturing companies — REGE Holdings GmbH (REGE) and Amtek Components Sweden (ACS) in FY2016, through its Singapore based 100% subsidiary, Amtek Machining Systems Pte Ltd. (AMSPL). As a result, JMT's capital structure, on a consolidated basis, has turned aggressive with a gearing of 7.22 times as on March 31, 2016. Additionally, due to high depreciation and interest costs, the consolidated company has reported net losses of Rs. 42.21 crore in FY2016 compared to the standalone net profit of Rs. 4.86 crore during FY2016. ICRA had placed the ratings for JMT on watch with negative implications, post the announcement of the acquisition due to the lack of clarity about the total acquisition consideration and funding pattern of the same. The ratings have now been removed from watch. While revising the ratings, ICRA also considers the fact that the current cash accruals of the consolidated company are insufficient to meet the large debt repayment obligations, necessitating refinancing or external funding requirement for the same. The rating action also takes into account the continued depressed financial performance of Amtek Auto Ltd. (AAL), which holds 66.77% of JMT's equity capital. ICRA notes that AAL has reported continuous net losses in the last five quarters, and posting net losses of Rs. 319.68 crore in the first quarter of FY2017, leading to a tight liquidity position in the group. ICRA also takes note of the significant decline in JMT's turnover and profits during FY2016, with the company reporting nominal profits in the first quarter of FY2017, primarily due to a decline in its overall scale of operations.

The ratings continue to favourably factor in JMT's established relationships with reputed clientele both in the domestic and the export markets, and the vertically integrated nature of its operations, with in-house casting and forging facilities, which provide better control on quality and costs of production. Such strengths are partially offset by JMT's significant sales and client concentration risks, with Tata Motors Ltd. (TML) and its subsidiaries in the cyclical automobile sector accounting for a large share of its turnover. Notwithstanding the sales diversification that the company has achieved in recent years, the company's business prospects would depend on the health of the domestic automobile industry, at least in the near term.

Company Profile

JMT Auto Limited (JMT) is a 66.77% subsidiary of Amtek Auto Ltd., and is involved in manufacturing machined components for the automobile, tractor and farm equipment, oil and natural gas and the construction equipment sectors. The company was incorporated in 1987 as Jamshedpur Metal Treat Private Limited and operated as a

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



dedicated ancillary to erstwhile Tata Engineering and Locomotive Company Limited (Telco), supplying various machined components. The company's shares were listed in 1994 and are traded on both the Bombay Stock Exchange and National Stock Exchange. Over the years, JMT has enhanced its manufacturing capabilities by backward integrating into forging and casting components. JMT has its manufacturing plants located in Jamshedpur, Dharwad and Lucknow through eight production units. In FY2016, JMT through its subsidiary, AMSPL, has acquired two automotive component manufacturing companies, REGE and ACS. REGE manufactures auto components, primarily for the passenger cars segment, through its three manufacturing plants — two in Germany and one in Romania. ACS manufactures components for passenger and commercial vehicles through its facility in Floby, Sweden.

Recent Results

During the first quarter of FY2017, JMT reported a net profit of Rs. 1.12 crore on the back of net sales of Rs. 81.06 crore against a net profit of Rs. 1.67 crore on the back of net sales of Rs. 83.92 crore during the first quarter of FY2016. In FY2016, JMT reported a profit after tax of Rs. 4.86 crore on the back of net sales of Rs. 315.15 crore.

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