

May 30, 2022

Jay Bharat Maruti Limited: Ratings reaffirmed for bank facilities and commercial paper programme; ratings reaffirmed and withdrawn for NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based Limits	580.00	570.00	[ICRA]A+(Stable)/[ICRA]A1; reaffirmed
Non Fund-Based Facilities	10.00	10.00	[ICRA]A+(Stable)/ [ICRA]A1; reaffirmed
Term Loans	311.62	304.49	[ICRA]A+(Stable); reaffirmed
Unallocated Limits	0.38	0.51	[ICRA]A+(Stable)/ [ICRA]A1; reaffirmed
Total BLR facilities	902.00	885.00	
Commercial Paper Programme	75.00	75.00	[ICRA]A1; reaffirmed
Non-Convertible Debenture Programme	150.00	150.00	[ICRA]A+(Stable); reaffirmed and withdrawn

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation for Jay Bharat Maruti Limited (JBML) factors in its well-established position as one of the key suppliers of sheet metal components to Maruti Suzuki India Limited (MSIL), the market leader in the domestic passenger vehicle (PV) segment. Over the years, JBML has emerged as a key supplier of sheet metal-based body-in-white (BIW) components, rear axle assemblies and fuel necks to the original equipment manufacturer (OEM) for almost its entire model range.

Despite high competition among sheet metal component manufacturers, JBML benefits from its cost competitive manufacturing capabilities, its steady investments in setting up capacities as well as its extensive track record and favourable ownership structure, with MSIL holding a 29.3% stake as a joint venture (JV) partner in the company. The latter, apart from providing revenue visibility, also enables operational support towards facilitating technical tie-ups with Japanese suppliers for design and development of select model-specific components. Although JBML faces high client concentration risk with MSIL accounting for nearly 90% of its revenues, ICRA takes comfort from the established relationship between JBML and MSIL, as well as from the OEM's leadership position in the domestic PV industry with ~43% market share in FY2022, which mitigates business risks to a large extent.

As JBML derives a majority of its revenues from the domestic PV market, its earnings remain susceptible to downturns in the same. JBML's revenues had declined during FY2020 and FY2021 because of the sharp slowdown in the domestic automotive market and the pandemic-induced lockdown, respectively. Albeit on a low base, the company's revenues grew by ~39% in FY2022, despite the impact of semi-conductor shortage and regional lockdowns (in Q1 FY2022 due to the second wave of Covid-19). This was aided by a volume growth of ~15% YoY in line with growth in MSIL's production volumes with the recovery in the PV industry. The revenues were further supported by a realisation growth of ~20% due to the pass on of the increase in raw material prices to MSIL and higher content per vehicle (CPV) for the models being serviced from the new Gujarat facility. However, the operating profitability was impacted by the adverse commodity prices resulting in deterioration in the OPM to 7.2% in FY2022 from 9.1% in FY2021. Nevertheless, the margin is expected to improve gradually, going forward, aided by the company's cost control measures and benefits of operating leverage. Going forward, JBML's performance is expected to largely remain linked to that of its key customer, MSIL.

JBML, being strategically important to MSIL, had set up a greenfield facility in Gujarat to cater to the OEM's new manufacturing facility in the state, all three phases of which have been commercialised. Accordingly, the company incurred sizeable debt-funded capital expenditure (capex) over the past few years. With this additional capacity having come on stream only as industry volumes remained impacted by Covid-related disruptions and semiconductor shortages, the company's credit metrics and return indicators have weakened in recent years. ICRA notes that the company continues to face sizeable debt repayment obligations over the medium term, due to the debt-funded capex undertaken. With the improvement in scale of operations from FY2022, the company is expected to meet the same from its internal cash flow generation. However, any inordinate higher-than-expected demand moderation can cause temporary cash flow mismatches. Accordingly, ICRA would continue to monitor the company's liquidity position. Additionally, JBML's balance sheet remains characterised by asset-liability mismatch (ALM) owing to high dependence on short-term sources of funds. An improvement in the ALM position would also remain critical for strengthening its balance sheet, and hence, would also continue to be monitored.

The Stable outlook on the long-term rating reflects ICRA's opinion that JBML will continue to benefit from its strong business position with MSIL as a key supplier of BIW parts over the long term, which will help it generate healthy cash accruals and maintain a stable credit profile. Although the pandemic-induced disruptions and debt-funded capex undertaken in recent years continue to exert pressure on JBML's return indicators and credit metrics, they are expected to gradually improve with the market revival and scheduled repayment of term debt.

The rating outstanding on the Rs. 150.00-crore non-convertible debenture (NCD) programme stands reaffirmed and withdrawn as there are no obligations outstanding against the rated instrument and on the request of the company. This is in line with ICRA's policy on withdrawal and suspension of credit ratings.

Key rating drivers and their description

Credit strengths

Strong market position in sheet metal-based components; established relationship with MSIL – JBML enjoys a healthy share of business across major models of MSIL, the largest PV manufacturer in the country with a domestic market share of ~43% in FY2022. The company is a major supplier of BIW parts (such as welded sheet metal assemblies) for some of MSIL's key models that are produced at its facilities in Haryana and Gujarat, and the same provides healthy revenue visibility for the company.

JV partnership of MSIL mitigates business risks and augurs well for business expansion – As JBML is a strategic supplier of key sheet metal components to the OEM, MSIL has participated as a JV partner in the company, holding a 29.3% equity stake in it. In addition to aiding favourable technical collaborations, the ownership arrangement mitigates business risks for JBML and augurs well for gaining new business, going forward as well.

Diversified product portfolio aids in high CPV supplied to OEMs – JBML's product offerings remain well diversified, given its presence across multiple products including BIW components, rear axle assemblies, mufflers and fuel neck assemblies. This enables it to capture a large share of the kit value supplied to OEMs and aids revenue visibility.

Credit challenges

Significant client concentration risk with almost 90% of revenues from MSIL – JBML remains primarily dependent on MSIL for a major share of its revenues, with the OEM driving 87% of its revenues in FY2022. However, the strong relationship with the OEM and its unmatched leadership in the domestic market mitigate the business risks to a large extent.

Exposed to demand downturns in domestic PV industry – As JBML derives its majority revenues from the domestic PV market, its earnings remain susceptible to downturns in the same. The industry, which had been undergoing a period of sharp demand slowdown in FY2020, was further impacted by the pandemic in FY2021. Nevertheless, JBML's scale of operations revived in a healthy manner in FY2022, supported by improved demand due to personal mobility preferences, even as the industry grappled with severe semiconductor shortages.

Balance sheet characterised by high dependence on short-term borrowings; recent capex requirements have kept dependence on external borrowings high – With JBML having been in a debt-funded capacity expansion phase over the past few years, its overall debt levels have increased to approximately Rs. 517 crore in FY2022 (excludes bill discounting without recourse to JBML) against Rs. 207 crore in FY2016, resulting in steady increase in leverage and weakening of credit metrics. Additionally, the balance sheet is characterised by asset-liability mismatch, owing to the dependence on short-term borrowings for meeting some long-term requirements. Overall, the debt repayment obligations remain high over the upcoming quarters, which in case of any unanticipated pressure on earnings, could expose the company to some refinancing risks; the JBM Group’s strong business position and relationships with bankers, however, provide comfort.

Liquidity position: Adequate

JBML’s liquidity position remains **adequate**, aided by expected cash flow generation of ~Rs. 110-130 crore p.a., unutilised working capital limits (~Rs. 23.5 crore on an average during the 12-month period that ended in April 2022), and an undrawn term loan of Rs. 15 crore as of March 2022. Although the current year repayment obligations remain sizeable at ~Rs. 90 crore, JBML is expected to meet these from the cash flow generation from operations, and available lines of credit. Further, the near-term capex requirements are minimal and restricted to maintenance requirements. Overall, ICRA believes JBML’s financial flexibility and its access to financial markets as the flagship entity of the JBM Group, coupled with its established business position with MSIL, would also support it in raising additional funds, in case of any temporary cash flow mismatches.

Rating sensitivities

Positive factors – ICRA could upgrade JBML’s ratings if there is a healthy growth in revenues, while maintaining profitability indicators such as RoCE above 15%. A significant improvement in the company’s financial risk profile, which strengthens its credit metrics, such as total debt¹/OPBITDA below 1.5 times on a sustained basis, would also remain a key monitorable for an upgrade.

Negative factors – A sustained deterioration in JBML’s financial risk profile or liquidity profile due to a slowdown in the PV industry, or any further sustained material deterioration in the ALM position, could lead to a downward rating revision.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Manufacturers Policy on withdrawal of Credit Ratings
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

Jay Bharat Maruti Limited, a public limited company, was incorporated in 1987 as a JV between the Arya family and MSIL. JBML manufactures sheet metal-based BIW components, rear axle assemblies, fuel neck components and assemblies, besides designing and developing dies and moulds, automotive machines and equipment. The company has four manufacturing facilities, two in Gurgaon (Haryana), and one each in Manesar (Haryana) and Gujarat. The facilities include imported and indigenous press lines, robotic welding lines, along with plating and painting facilities. From starting off with making sheet

¹ Total debt considered here would include reported debt, supplier’s credit facilities as well as bill discounting facilities that are with recourse to the company, even if these are off balance-sheet facilities

metal components and assemblies for PVs, JBML has added capabilities to produce exhaust systems, rear axles, torsion beams and fuel filler necks over the years. JBML is listed on the BSE and the NSE, with its Indian promoter family and companies controlling a 30.1% equity.

Key financial indicators (audited)

JBML Standalone	FY2021	FY2022
Operating Income (Rs. crore)	1,499.1	2,079.9
PAT (Rs. crore)	26.1	27.5
OPBDIT/OI (%)	9.1%	7.2%
PAT/OI (%)	1.7%	1.3%
Total Outside Liabilities/Tangible Net Worth (times)	2.0	2.1
Total Debt/OPBDIT (times)	3.4	3.4
Interest Coverage (times)	4.1	4.6

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Company, ICRA Research; All calculations are as per ICRA Research

Note: Total Debt shown in the table above includes reported debt, and supplier's credit facility and bill discounting facilities (except that from DBS Bank, as the same is without recourse to the company)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years					
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022^	Date & Rating in FY2021	Date & Rating in FY2020			
				May 30, 2022	May 21, 2021	Jun 09, 2020 May 14, 2020	Nov 05, 2019	Jul 25, 2019	May 16, 2019	
1	Cash Credit/WCDL/Bills discounting	Long Term/Short Term	570.00	NA	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]AA- (Negative)/[ICRA]A1+	[ICRA]AA- (Stable)/[ICRA]A1+
2	Buyer's Credit Facility/Letter of Credit/Bank Guarantee	Long Term/Short Term	10.00	NA	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]AA- (Negative)/[ICRA]A1+	[ICRA]AA- (Stable)/[ICRA]A1+
3	Term Loans	Long Term	304.49	291.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]AA- (Negative)	[ICRA]AA- (Stable)
4	Unallocated Limits	Long Term/Short Term	0.51	NA	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]AA- (Negative)/[ICRA]A1+	[ICRA]AA- (Stable)/[ICRA]A1+
5	Commercial Paper Programme	Short Term	75.00	NA	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1+	[ICRA]A1+

6	NCD Programme	Long Term	150.00	NA	[ICRA]A+ (Stable); withdrawn	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]AA- (Negative)	[ICRA]AA- (Stable)
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^Update on details of lender facilities was released on Sep 06, 2021

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash Credit/WCDL/ Bills discounting	Simple
Buyer's Credit Facility/Letter of Credit/Bank Guarantee	Simple
Term Loans	Simple
Unallocated Limits	Not applicable
Commercial Paper Programme*	Very Simple
NCD Programme*	Simple

* Complexity categorization is as per the latest understanding of ICRA and is subject to change once the issuance terms are finalized

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: www.icra.in

Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit/WCDL	NA	NA	NA	570.00	[ICRA]A+ (Stable)/[ICRA]A1
NA	Buyer's Credit Facility/Letter of Credit/Bank Guarantee	NA	NA	NA	10.00	[ICRA]A+ (Stable)/[ICRA]A1
NA	Term Loan 1	FY2018	NA	FY2027	77.65	[ICRA]A+ (Stable)
NA	Term Loan 2	FY2015	NA	FY2027	192.46	[ICRA]A+ (Stable)
NA	Term Loan 3	FY2020	NA	FY2025	9.38	[ICRA]A+ (Stable)
NA	Term Loan 4	FY2022	NA	FY2026	25.00	[ICRA]A+ (Stable)
NA	Unallocated Limits	NA	NA	NA	0.51	[ICRA]A+ (Stable)/[ICRA]A1
NA	Commercial Paper Programme*	NA	NA	NA	75.00	[ICRA]A1
NA	NCD Programme*	NA	NA	NA	150.00	[ICRA]A+ (Stable); withdrawn

Source: Company; *Not placed by the company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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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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