May 29, 2023

Jay Bharat Maruti Limited: Ratings reaffirmed for bank facilities; ratings reaffirmed and withdrawn for commercial paper programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based Limits	570.00	600.00	[ICRA]A+(Stable)/[ICRA]A1; reaffirmed
Non Fund-Based Facilities	10.00	10.00	[ICRA]A+(Stable)/ [ICRA]A1; reaffirmed
Term Loans	304.49	254.86	[ICRA]A+(Stable); reaffirmed
Interchangeable Limits	-	(190.00)	[ICRA]A+(Stable)/ [ICRA]A1; reaffirmed
Unallocated Limits	0.51	0.14	[ICRA]A+(Stable)/ [ICRA]A1; reaffirmed
Total bank facilities	**885.00**	**865.00**	
Commercial paper programme	**75.00**	**75.00**	[ICRA]A1; reaffirmed and withdrawn

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation on the outstanding debt programmes of Jay Bharat Maruti Limited (JBML) reflects ICRA's expectations that its credit profile shall remain stable with steady growth in revenues and earnings, backed by 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, 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 ~41% market share in FY2023, which mitigates business risks to a large extent.

As JBML derives its entire revenues from the domestic PV market, its earnings remain susceptible to any 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. Nevertheless, JBML's revenues grew YoY by ~39% in FY2022 and ~13% in FY2023, aided by healthy demand in the PV industry. However, the operating profitability was constrained by the adverse commodity prices with operating profit margin improving only marginally to 7.4% in FY2023 from 7.2% in FY2022. 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, the third phase of which was commercialised in FY2021. Accordingly, the company incurred sizeable debt-funded capital expenditure (capex) over the recent years, due to which it continues to face sizeable debt repayment obligations over the medium term. Going forward, the company plans to set up two new manufacturing plants over the next two years, in line with the OEM's capacity expansion plans. Accordingly, the company's dependence on external borrowings for expansion of new projects, is expected to remain high over the medium term. While expectations of healthy cash accruals aided by an expected improvement in the earnings, are expected to help maintain a stable credit profile over the medium term, any slowdown in offtake can cause temporary cash flow mismatches; accordingly, ICRA would continue to monitor the company's liquidity position. Additionally, JBML's debt profile remains characterised by asset-liability mismatch (ALM), owing to high dependence on short-term sources of funds. An improvement in the ALM position would remain critical for strengthening its balance sheet, and hence, would continue to be monitored. The JBM Group's strong business position and relationships with bankers, however, provide comfort.

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. Additionally, JBML's access to financial markets as the flagship entity of the JBM Group, is expected to support its credit profile over the medium term.

The rating outstanding on the Rs. 75.00-crore commercial paper 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 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 ~41% in FY2023. 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 OEM – 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 9M FY2023. However, the strong relationship with the OEM and its 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 entire revenues from the domestic PV market, its earnings remain susceptible to any downturns in the same. JBML's revenues had declined during FY2020 and FY2021 because of the sharp demand slowdown in the domestic automotive market and the pandemic-induced lockdown, respectively. Nevertheless, JBML's scale of operations revived subsequently in a healthy manner, supported by improved demand due to personal mobility preferences. In FY2023, its revenues grew by ~13% YoY, on the back of ~16% YoY increase in MSIL's sales volume, which was supported by healthy underlying demand in the PV industry. Going forward, JBML's performance is expected to largely remain linked to that of its key customer, MSIL.

Debt profile characterised by high dependence on short-term borrowings; significant capex plans over the near term likely to keep dependence on external borrowings high – With the company incurring capex continuously over recent years with respect to its greenfield facility in Gujarat, its overall debt levels have remained high at ~Rs. 500 crore (including bill discounting facilities from HDFC Bank). Going forward, JBML has debt-funded capex plans of Rs. 300-350 crore in FY2024- FY2025, which is expected to keep dependence on external borrowings high. 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.

Environmental and Social Risks

Environmental considerations: Even as JBML is not directly exposed to climate-transition risks from a likelihood of tightening emission control requirements, with its products being used across different fuel powertrains, its automotive manufacturing customers remain highly exposed to the same. Accordingly, JBML's prospects are linked to the ability of its customers to meet tightening emission requirements. The company's exposure to litigation/penalties from issues related to waste and water management remains relatively lower.

Social considerations: JBML, like most automotive component suppliers, has a healthy dependence on human capital and retaining human capital, maintaining healthy employee relations as well as its supplier ecosystem remain essential for disruption-free operations for the entity. Another social risk that JBML faces is that of product safety and quality, wherein instances of product recalls and high-warranty costs may not only lead to a financial implication but could also harm its reputation and create a long lasting, adverse impact. In this regard, JBML's strong track record in catering to leading automotive manufacturers underscore its ability to mitigate these risks to an extent.

Liquidity position: Adequate

JBML's liquidity position is adequate, aided by expected cash flow generation of ~Rs. 120-140 crore p.a., unutilised working capital limits (average buffer of ~Rs. 25 crore against the drawing power and average buffer of ~Rs. 120 crore in bills discounting facilities during the 12-month period that ended in March 2023). The company has debt repayment obligations of ~Rs. 100 crore in FY2024 and capex plans of Rs. 300-350 crore in FY2024-FY2025, which are expected to be met from the cash flow generation from operations, available lines of credit and incremental term loans. 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 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%. Any significant improvement in the company's financial risk profile, which strengthens its credit metrics, such as total debt[1]/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 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.

[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.*

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	For arriving at the ratings, ICRA has considered the consolidated financials of JBML. As on March 31, 2023, the company had one associate company, which is enlisted in Annexure-2.

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. The company is also setting up two new manufacturing plants at Kharkhoda, Sonipat and Gujarat. From starting off with making sheet 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 Consolidated	FY2022	FY2023
Operating income	2,079.9	2,344.2
PAT	27.2	37.1
OPBDIT/OI	7.2%	7.4%
PAT/OI	1.3%	1.6%
Total outside liabilities/Tangible net worth (times)	2.1	1.9
Total reported debt/OPBDIT (times)	2.5	1.9
Total debt/OPBDIT (times)*	3.4	2.9
Interest coverage (times)	4.6	4.7

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

**Note: Total Debt shown in the table above includes reported debt 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 (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022^	Date & rating in FY2021
					May 29, 2023	May 30, 2022	May 21, 2021	Jun 09, 2020 May 14, 2020
1	**Fund Based Limits**	Long term and short term	600.00	NA	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**
2	**Non Fund-Based Facilities**	Long term and 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**
3	**Term Loans**	Long term	254.86	241.94	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**
4	**Interchangeable Limits**	Long term and short term	(190.00)	NA	**[ICRA]A+ (Stable)/ [ICRA]A1**	-	-	-
5	**Unallocated Limits**	Long term and short term	0.14	NA	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**
6	**Commercial Paper Programme**	Short term	75.00	NA	**[ICRA]A1; withdrawn**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**
7	**NCD Programme**	Long term	-	-	-	**[ICRA]A+ (Stable); withdrawn**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**

^Update on details of lender facilities was released on Sep 06, 2021

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based Limits	Simple
Non Fund-Based Facilities	Simple
Term Loans	Simple
Interchangeable Limits	Simple
Unallocated Limits	Not applicable
Commercial Paper Programme	Very 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	**Term Loan-I**	FY2018	NA	FY2027	56.69	[ICRA]A+(Stable)
NA	**Term Loan-II**	FY2015	NA	FY2028	171.27	[ICRA]A+(Stable)
NA	**Term Loan-III**	FY2020	NA	FY2025	6.07	[ICRA]A+(Stable)
NA	**Term Loan-IV**	FY2022	NA	FY2026	20.83	[ICRA]A+(Stable)
NA	**Fund Based Limits**	NA	NA	NA	600.00	[ICRA]A+(Stable)/[ICRA]A1
NA	**Non Fund-Based Facilities**	NA	NA	NA	10.00	[ICRA]A+(Stable)/[ICRA]A1
NA	**Interchangeable Limits**	NA	NA	NA	(190.00)	[ICRA]A+(Stable)/[ICRA]A1
NA	**Unallocated Limits**	NA	NA	NA	0.14	[ICRA]A+(Stable)/[ICRA]A1
NA	**Commercial Paper Programme***	NA	NA	NA	75.00	[ICRA]A1; withdrawn

*Source: Company; *Not placed by the 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	JBML Ownership	Consolidation Approach
Jay Bharat Maruti Limited	100.00% (rated entity)	Full Consolidation
JBM Ogihara Die Tech Private Limited	39.00%	Equity Method

Source: Company

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91-44-45964318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545 808
rohan.kanwar@icraindia.com

Arushi
+91 124 4545 396
arushi@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches