

JBM Auto Limited

	Amount (Rs. Cr)	Rating Action
		December 2015
Term Loan	114.16 (Revised from 85.93)	[ICRA]BBB (Stable) reaffirmed
Cash Credit/WCDL	110.25 (Revised from 104.25)	[ICRA]BBB (Stable)/A3+ reaffirmed
Non fund based limits	57.50 (Revised from 67.50)	[ICRA]A3+ reaffirmed
Fund Based and Non fund based limits	97.25 (Revised from 57.25)	[ICRA]BBB (Stable)/A3+ reaffirmed
Unallocated	5.21 (Revised from 39.44)	[ICRA]BBB (Stable) reaffirmed
Total	384.37 (Revised from 354.37)	

ICRA has reaffirmed the long-term rating at [ICRA] BBB (pronounced ICRA Triple B) and the short-term rating at [ICRA] A3+ (pronounced ICRA A Three plus) for the Rs. 384.37 Crore* (enhanced from Rs. 354.37 Crore) Lines of Credit of JBM Auto Limited ("JAL" or "the company")†. The outlook on the long term rating is "Stable".

The rating reaffirmation takes into consideration the strong customer profile of the company, comprising OEMs like Honda Cars India Limited (HCIL), Mahindra & Mahindra Limited (M&M) and VE Commercial Vehicles Limited (VECV) and its diversification across various segments of the automobile industry like Passenger Vehicles (PV), Commercial Vehicles (CV), tractors and three wheelers, which protects the company to some extent from cyclicalities of the automobile industry. The ratings also factor in favourably the presence of the company in both sheet metal operations as well as tooling segment, which helps it garner more business from customers and also improves its overall margins due to higher margins in the tooling segment, as opposed to the highly competitive sheet metal business. The rating decision also takes into account the expected improvement in revenues of the company, with additional business orders in both sheet metal and tool room division, and incremental revenues with the bus division expected to get operational in the current year. The ratings continue to factor in the experience and technical strength of the JBM group in the auto component business, and the support demonstrated by the group in the form of subscription to JAL's preference shares (by Neel Metal Products Limited), which has helped keep the interest burden of the company under check. ICRA also notes the scale up in operations of the company's joint ventures and subsidiaries, and healthy cash accruals on a consolidated basis.

The ratings are constrained by significant increase in debt levels on standalone as well as consolidated basis in the backdrop of bus project and large capex in its subsidiary JBM Auto Systems Limited that has resulted in moderation in coverage indicators. The ratings continue to be constrained by the high competitive intensity in the sheet metal business, which pressurises the margins of the company. In spite of presence in the high margin tooling segment, the revenues from the tool room segment are highly volatile, which restricts the revenue visibility of the company, and exposes it to variability in its operating income and profitability. The rating decision also considers the project risks associated with the company's entry into the highly competitive bus manufacturing segment, and the moderation in operating margins expected with the bus project getting operational.

Going forward, the key rating sensitivities would be the company's ability to scale up its bus operations to a profitable level, while maintaining its capital structure. The performance of key subsidiaries and joint ventures and JAL's financial support to them would also remain significant.

* 100 lakh = 1 crore = 10 million

† "For complete rating definition please refer to the ICRA website www.icra.in or any of the ICRA Rating Publications"



Company Profile

JAL, a public limited company, was incorporated in 1990 mainly to manufacture tools, dies and moulds for the automobile industry, from its Faridabad facility. Subsequently in 1993, the company entered the sheet metal components manufacturing business for OEMs other than Maruti Suzuki India Limited to benefit from the growing demand from the automotive sector. Further in 2006, JAL started its Special Purpose Vehicle division engaged in the fabrication and assembly of bodies of heavy vehicles. JAL is part of the JBM Group of companies, which comprises other auto component manufacturing companies like Jay Bharat Maruti Limited and Neel Metals Products Limited. JAL commenced manufacturing of buses during 2014-15 in technical partnership with the Italian bus manufacturer – BredaMenarinibus (BMB) for developing the buses.

The consolidated entity comprises JBM Auto Limited (Standalone), and its two joint ventures and subsidiaries. The two joint ventures include JBM MA Automotive Private Limited (rated [ICRA] BBB- (Stable)/A3) and Indo Toolings Private Limited. The two subsidiaries include JBM Auto Systems Private Limited (rated [CRISIL] BBB+ (Stable)/A2) and JBM Ogihara Automotive India Limited (rated [ICRA] BBB- (Stable)/A3).

Recent Results

In 2014-15 JAL's (standalone) operating income was at Rs. 604.6 crore as compared to Rs. 567.1 crore in the previous year. The company's OPBITDA increased from Rs.64.6 crore in 2013-14 to Rs 71.5 crore in 2014-15. Further, JAL's profit after tax increased to Rs 33.6 crore in 2014-15, from Rs. 24.3 crore in 2013-14.

In 2014-15 JAL's (consolidated) operating income increased to Rs. 1560.7 crore from Rs. 1369.2 crore in 2013-14. The operating profit increased from Rs.160.3 crore in 2013-14 to Rs 195.6 crore in 2014-15. Further, JAL's profit after tax (concern share) increased to Rs 76.4 crore in 2014-15, from Rs. 50.2 crore in 2013-14.

December 2015

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