April 04, 2022

Neel Metal Products Limited: Ratings upgraded to [ICRA]A-(Stable)/ [ICRA]A2+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	134.15	165.66	[ICRA]A-(Stable); Upgraded from [ICRA]BBB+(Stable)
Fund Based Limits	714.98	571.98	[ICRA]A-(Stable)/[ICRA]A2+; Upgraded from [ICRA]BBB+(Stable)/[ICRA]A2
Non Fund-Based Facilities	291.00	279.00	[ICRA]A-(Stable)/[ICRA]A2+; Upgraded from [ICRA]BBB+(Stable)/[ICRA]A2
Interchangeable Limits**	(305.00)	(345.00)	[ICRA]A-(Stable)/[ICRA]A2+; Upgraded from [ICRA]BBB+(Stable)/[ICRA]A2
Non Fund-Based Facilities	322.87	252.00	[ICRA]A-(Stable); Upgraded from [ICRA]BBB+(Stable)
Total	**1,463.00**	**1,268.64**	

**Instrument details are provided in Annexure-1; **Sub-limit of other working capital facilities*

Rationale

While arriving at the ratings for Neel Metal Products Limited (NMPL), ICRA has taken into consideration its consolidated financials, while excluding the entities engaged in solar energy projects, viz., JBM Renewables Private Limited, JBM Solar Energy Maharashtra Private Limited, JBM Solar Power Maharashtra Private Limited and JBM Solar Power Private Limited (together referred to as solar entities). The reasons for excluding these entities from the consolidated financial analysis are that—(a.) the cash flows from these entities cannot freely flow into NMPL, since it is subject to approval from the lenders; (b.) the entities are self-sufficient in meeting debt-servicing obligations; and (c.) there is no corporate guarantee from NMPL on the debt of these entities (released post commissioning).

The rating upgrade factors in improvement in the standalone financial performance of NMPL with the company reporting a healthy revenue growth of ~65% to Rs. 3,361 crore in 9M FY2022, aided by healthy offtake from commercial vehicle (CV) original equipment manufacturers (OEMs) and select two-wheeler OEMs. The robust growth in the current fiscal has also been aided by healthy tooling income and hike in steel prices. Aided by benefits of operating leverage, the company has reported an improved OPBDITA of ~Rs. 286 crore in 9M FY2022 vis-à-vis ~Rs. 145 crore in 9M FY2021. The company is expected to continue to record a moderate to healthy growth in earnings over the medium term, aided by continuation of healthy relationships with various customers and ramp up in business for new customers added over the past 1-2 years.

The rating action also takes into account an improvement in the performance of NMPL's key investee companies, leading to improved cash flows for NMPL and lower support requirements. ICRA notes that the company has been recovering inter-corporate loans and upstreaming surplus cash from some investee companies in the form of dividends, which is expected to lend support to its liquidity position and return indicators. The company's investment in the solar entities have also started yielding returns as they have started paying dividends (~Rs. 17 crore dividends received in FY2022).

ICRA also notes that the improvement in the company's performance has helped it maintain an adequate liquidity profile over the past few months; the liquidity buffer from unutilised lines of credit has improved, with the company having both long-term and short-term lines currently available for meeting any temporary cash flow requirements. Although headwinds exist in the form of high commodity prices, semiconductor shortage issues and possibilities of further pandemic waves, the company is expected to tide over them, aided by its improved liquidity profile.

The ratings assigned continue to factor in NMPL's healthy business risk profile as a key supplier of sheet-metal based components to multiple domestic OEMs, across automotive segments including two-wheeler (2W), three-wheeler (3W), passenger vehicle (PV) and light commercial vehicle (LCV) segments. Additionally, its diversified geographic footprint with manufacturing facilities in proximity to customers, supports competitive positioning. In addition to the established business position with key OEMs, NMPL also acts as a steel service centre (SSC) for its Group companies, supplying cut-to-length and profiled sheet metal blanks to them as per requirements. Although this is a relatively low-margin business, the captive business from Group companies provides healthy revenue visibility with limited competition.

The ratings assigned continue to remain constrained by NMPL's relatively modest financial risk profile, characterised by high reliance on short-term borrowings, which exposes the company to refinancing risk. While the company has been taking steps to address this through incremental long-term borrowings, its ability to correct the asset-liability mismatch situation in a sustained manner would remain critical. ICRA continues to factor in favourably NMPL's status as one of the key JBM Group entities, which renders it some financial flexibility, and has helped it arrange required lines of credit for meeting its requirements in the past; the same is expected to continue going forward as well.

The ratings also remain constrained by an expectation of continued support required by its wholly-owned subsidiary, JBM Global Technologies (JBM Global), for meeting its debt servicing obligations (with regards to servicing debt undertaken to fund the acquisition of 50% stake in Linde + Wiemann SE & Co KG (L+W) in February 2019). ICRA notes that L+W has long-term debt of Euro 66.7 million[1], whose repayments will commence from December 2024. While L+W's performance was impacted by the pandemic and semi-conductor shortages over the last 1-2 years, it is expected to report a gradual improvement in performance going forward.

ICRA also notes that the waste management project housed in its subsidiary, JBM Environment Management Private Limited, was commissioned and is in the process of ramping up. Accordingly, any investment requirements to support this entity would remain a rating sensitivity. Any other significant debt-funded capex or investments would also continue to be an event risk, given that the company continues to operate as one of the investment holding companies of the Group.

The Stable outlook on the long-term rating factors in ICRA's expectation that NMPL would sustain the recent improvement in operating performance, going forward, with profitability also expected to be largely maintained at comfortable levels. The resulting cash accruals are likely to help the entity maintain its credit metrics.

Key rating drivers and their description

Credit strengths

Diversified revenue profile with presence across various automotive segments – NMPL enjoys a comfortable business profile with presence across multiple automotive segments, and limited dependence on a single customer. About 60% of its revenues is driven by the 2W and 3W segments, ~9% by PVs and about ~3% by CVs, thereby lending diversity to its revenue streams. Additionally, its presence in multiple product segments, including wheel rims, exhaust systems, frames and painted bodies, etc, have supported its business prospects with OEMs.

Captive supplier for sheet metal blanks for JBM Group; healthy relationships with major domestic OEMs – Approximately 27% of the company's revenue is derived from Group companies, who procure cut-to-length and profiled sheet metal blanks from NMPL as per their requirements. The domestic steel processing industry is fragmented, with small and unorganised players accounting for a major portion of the market. However, NMPL faces limited competition with steady business from various Group companies. Furthermore, over the years, the company has forged strong relationships with most of its major domestic OEMs, including Honda Motorcycle and Scooter India Private Limited (HMSI), Bajaj Auto Limited (BAL), TVS, Maruti

[1] *As on December 31, 2021*

Suzuki India Limited (MSIL), Hero MotoCorp Limited (HMCL), ALL, and Tata Motors Limited (TML), among others, ensuring healthy revenue visibility.

Acquisition of L+W provides diversification benefits and access to new technology – The acquisition of L+W gives NMPL access to European markets as well as luxury PV OEMs, such as Daimler and the Volkswagen Group, among others. The acquisition also gives access to new technologies, including expertise in the electric vehicle (EV) components segment. However, the management's ability to scale up the operations of L+W remains to be seen, given its limited experience in international markets, and the current challenges from the global pandemic.

Credit challenges

Sizeable debt-funded acquisition in Europe resulted in moderation in credit metrics - The acquisition of 50% stake in L+W in February 2019 was funded through external borrowings, a major portion of which (Euro 45 million) was availed in NMPL's 100% subsidiary, JBM Global, under the standby letter of credit (SBLC) by NMPL. While the earlier expectation was that dividend inflows from L+W would suffice to service these debt obligations, the same is unlikely in the current scenario. With repayments on the Euro 45-million loan having commenced in FY2021, and minimal dividend inflow expectations from L+W, NMPL would be required to support the entity in meeting its debt obligations. Given that the repayment obligations are sizeable (Rs. 60 crore annually), the enhanced funding requirements have so far been funded by additional borrowings; the same is likely to continue to limit an improvement in NMPL's coverage indicators over the medium term.

Exposure to new businesses and geographies through incremental investments, where management currently has limited experience – Despite the diversification benefits offered by the L+W acquisition, it also exposes the company to additional risks, given the current limited experience of the Group in managing overseas operations. The management's ability to cope with the risks associated with such large scale of operations in international businesses across geographies, and turn around the business to sustained profitable levels, remains to be seen, as the Group's experience has been largely limited to the domestic automotive market.

Significant reliance on short-term borrowings along with limited buffer in credit facilities – NMPL has, over the years, depended heavily on short-term borrowings for meeting its funding requirements, including investments, exposing the company to asset-liability mismatches. Accordingly, its liquidity position has remained moderate with high utilisation of working capital limits, and limited buffer available from unutilised lines; although this has improved to some extent over recent months as operations revived sequentially, the sustainability of the same needs to be seen.

Liquidity position: Adequate

NMPL's liquidity position is **adequate**, supported by improving cash flow generation from operations and buffer available from unutilised lines of credit (~Rs. 20 crore on working capital limits and Rs. 50 crore of undrawn term loans). Furthermore, the company has been recovering surplus funds from various investee companies, which would also support its liquidity over the near to medium term. The company's near-term capex and investment outgo requirements remain moderate. Although the company has significant debt repayment obligations, both in India and overseas over the medium term (total repayments of ~Rs. 140-150 crore p.a. in FY2023-FY2024), ICRA expects the company to meet these through a combination of its free cash flows, available lines of credit and incremental loans to be raised. To this effect, NMPL's financial flexibility and its access to financial markets as one of the flagship entities of the JBM Group would offer support.

Rating sensitivities

Positive factors – The company's rating can improve in case of a sustained improvement in leverage and coverage indicators with Adjusted Total Debt/ OPBDITA[2] below 2.0 times. Additionally, improvement in its liquidity profile such that reliance on

---

[2] *Adjusted for financials of solar entities*

short-term borrowings is reduced through the infusion of long-term funds, and adequate liquidity buffer vis-à-vis peak debt servicing requirements is maintained, remain critical.

Negative factors – Significant deterioration in earnings or further sustained deterioration in the financial risk profile, either triggered by a debt-funded capex or investments in Group entities, could lead to a downward rating revision. Sizeable incremental investments or incremental support to Group entities would be a key monitorable.

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	For arriving at the ratings, ICRA has considered the consolidated financials of NMPL. However, the solar entities in which it holds stake have been excluded from the consolidated financials as their cash flows remain restricted and ICRA does not expect NMPL to provide unconstrained financial support to them. The entities excluded are: JBM Renewables Private Limited, JBM Solar Energy Maharashtra Private Limited, JBM Solar Power Maharashtra Private Limited and JBM Solar Power Private Limited. The details of the entities consolidated can be found in Annexure 2.

About the company

Incorporated in 1997, NMPL is a manufacturer of sheet metal components, catering to the domestic automotive market. The company supplies components such as wheel rims, exhaust systems and frames for 2Ws and welded and painted bodies for 3Ws, in addition to front-end structures for LCVs. The company's major customers include HMSI, Mahindra & Mahindra Limited (M&M) and ALL. During FY2019, Neel Auto Private Limited (NAPL), a 100% subsidiary of NMPL, was merged with it. NAPL also supplies components for the domestic automotive market, including sheet metal and tubular components, primarily for 2Ws of BAL, TVS, HMSI and HMCL.

In addition to supplying sheet metal components to these OEMs, the company operates as an SSC for its Group companies, including Jay Bharat Maruti Limited and JBM Auto Limited. The SSC business accounted for 22% of the company's sales in FY2021, and provides stability to its revenues, being a captive Group business.

In addition to manufacturing automotive components, NMPL has been an investment vehicle for the Group. Over the years, it has invested in renewable energy as well as waste management projects, in addition to investments in the automotive sector. During FY2019, the company acquired a 50% stake in an overseas entity, Linde + Wiemann SE & Co KG (L+W), through a 100% subsidiary, JBM Global Technologies. As on September 30, 2021, the total investments in JVs, subsidiaries and other JBM Group companies amounted to Rs. 702.5 crore.

Key financial indicators (audited)

NMPL	Standalone			Consolidated[3]	
	FY2020	FY2021	9m FY2022*	FY2020	FY2021
Operating Income (Rs. crore)	3,597.4	3,271.0	3,361.0	3,784.2	3,528.2
PAT (Rs. crore)	69.8	98.2	165.3	53.0	111.5
OPBDIT/OI (%)	7.8%	8.7%	8.5%	9.4%	11.1%
PAT/OI (%)	1.9%	3.0%	4.9%	1.4%	3.2%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	1.6	-	2.5	2.7
Total Debt/OPBDIT (times)	2.8	2.9	-	4.7	4.3
Interest Coverage (times)	3.0	3.7	5.7	2.5	3.1

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

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

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 Feb 28, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
					Apr 4, 2022	Oct 19, 2021*	Apr 1, 2021	Jul 21, 2020	Nov 26, 2019 Oct 16, 2019 Aug 30, 2019
1	Term Loans	Long-term	165.66	115.66	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]A- &
2	Fund Based Limits	Long-term and short term	571.98	-	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Negative)/ [ICRA] A2	[ICRA]A- &/ [ICRA]A2+ &
3	Non Fund-Based Facilities	Long-term and short term	279.00	-	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Negative)/ [ICRA] A2	[ICRA]A- &/ [ICRA]A2+ &
4	Interchangeable Limits**	Long-term and short term	(345.00)	-	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Negative)/ [ICRA]A2	[ICRA]A- &/ [ICRA]A2+ &
5	Unallocated Limits	Long-term and	-	-	-	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Negative)/ [ICRA]A2	[ICRA]A- &/ [ICRA]A2+ &

[3] *Includes the solar entities as well*

		short term							
6	Non Fund-Based Facilities (SBLC)	Long-term	252.00	252.00	**[ICRA]A- (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Negative)**	-
7	Commercial Paper Programme	Short Term	-	-	-	**[ICRA]A2 withdrawn**	**[ICRA]A2**	**[ICRA]A2**	**[ICRA]A2+ &**

**An update on the details of lender facilities was published on September 6, 2021*

& - Under watch with developing implications ***Sublimit of other working capital facilities*

An update on reason for delay in periodic surveillance was published on June 28, 2019

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loans	Simple
Fund Based Limits	Simple
Non Fund-Based Facilities	Simple
Interchangeable Limits	Simple
Non Fund-Based Facilities	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 analyzing 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, is 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	Term Loans I	FY2016	NA	FY2025	70.66	[ICRA]A-(Stable)
NA	Term Loans II	FY2021	NA	FY2024	20.00	[ICRA]A-(Stable)
NA	Term Loans III	January 2022	NA	January 2025	25.00	[ICRA]A-(Stable)
NA	Term Loans IV	Not yet drawn			50.00	[ICRA]A-(Stable)
NA	Fund Based Limits	NA	NA	NA	571.98	[ICRA]A-(Stable)/ [ICRA]A2+
NA	Non Fund-Based Facilities	NA	NA	NA	279.00	[ICRA]A-(Stable)/ [ICRA]A2+
NA	Interchangeable Limits**	NA	NA	NA	(345.00)	[ICRA]A-(Stable)/ [ICRA]A2+
NA	Non Fund-Based Facilities (SBLC)	NA	NA	NA	252.00	[ICRA]A-(Stable)

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis

Company Name	NMPL Ownership^	Consolidation Approach
JBM Motors Limited*	90.91%	Full Consolidation
JBM Green Energy Systems Private Limited (w.e.f. January 17, 2020)	49.00%	Equity Method
JBM Cadmium Private Limited	100.00%	Full Consolidation
JBM Environment Management Private Limited	99.20%	Full Consolidation
JBM Global Technologies GMBH (w.e.f. January 24, 2019)	100.00%	Full Consolidation
ANS Steel Tubes Limited	100.00%	Full Consolidation
Green Land Technobuilders Private Limited	60.00%	Full Consolidation
FJM Cylinders Private Limited**	99.00%	Full Consolidation
Neel Metal Fanalca Environment Management Private Limited	51.00%	Equity Method
JBM Cornaglia Exhaust Systems Private Limited	100.00%	Full Consolidation
JBM Kanemitsu Pulleys Private Limited	51.00%	Equity Method
Arcelormital Neel Tailored Blanks Private Limited	50.00%	Equity Method
Rose Engineered Products Private Limited	50.00%	Equity Method
Augen Technologies Software Solution Private Limited (w.e.f. October 3, 2019)	50.10%	Equity Method
Lean Automation Equipments Private Limited (w.e.f. October 3, 2019)	60.00%	Equity Method
Linde+Weimann SE & Co. KG (w.e.f. February 22, 2019)*	50.00%	Equity Method

Source: *Company data; ^ as on March 31, 2022*

Note: *ICRA has taken a consolidated view of the parent (NMPL), its subsidiaries and associates (excluding the solar entities) while assigning the ratings.*

step down subsidiary/ JV

***NMPL has purchased ~50% additional stake in FJM Cylinders Private Limited and JBM Cornaglia Exhaust Systems Private Limited during FY2022, making these 99% and 100% subsidiaries respectively. Accordingly, full consolidation approach will be applied from FY2022.*

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

Jayanta Chatterjee
+91 80 4332 6401
jayantac@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

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.