December 07, 2022

JBM Ogihara Die Tech Private Limited: [ICRA]BBB- (Stable)/[ICRA]A3 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund Based Limits	6.50	[ICRA]BBB- (Stable)/ [ICRA]A3; Assigned
Interchangeable Limits	(6.50)	[ICRA]A3; Assigned
Term Loans	13.32	[ICRA]BBB- (Stable); Assigned
Unallocated Limits	0.68	[ICRA]BBB- (Stable)/ [ICRA]A3; Assigned
Total	**20.50**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings assigned take into consideration JBM Ogihara Die Tech Private Limited's (JODT) access to technical expertise of its parent companies, JBM Auto Limited (JBMA), Jay Bharat Maruti Limited (JBML; rated [ICRA]A+ (Stable)/ [ICRA]A1) and Ogihara Thailand Co. Ltd. (OTC)[1], as well as its business and financial linkages with the JBM Group, which ensures revenue visibility and financial flexibility.

JODT benefits from the technical expertise of its parent companies, all of which are well-established players in the auto-component manufacturing space. The JBM Group, through its various joint ventures and companies, caters to sheet metal requirements of a number of original equipment manufacturers (OEMs) in India, including Maruti Suzuki India Limited (MSIL), Mahindra and Mahindra (M&M), Tata Motors Limited (TML), Renault and Nissan among others. OTC, on the other hand, is a well-established manufacturer of tools and dies globally. JODT is positioned as a tier-II supplier of tools for several automotive OEMs, which are customers of key JBM Group companies. It derived ~98% of its revenues in FY2022 from group entities, with the key end customers being MSIL, Toyota Kirloskar Motors Limited (TKML), VE Commercial Vehicles Limited (VECV), Honda Cars India Limited (HCIL), Volkswagen (VW), PSA Group etc. The extensive experience of the company's promoters in the automotive industry, coupled with business linkages of JODT with key JBM group entities, offers comfort regarding revenue visibility for the company over the long-term.

The company's financial risk profile is comfortable with gearing of 0.4 time as on September 30, 2022. However, with debt repayments of Rs. 4.4 crore p.a. in FY2023–FY2024, the company's debt coverage indicators would moderate in FY2023. Nevertheless, the credit metrics are expected to improve gradually over the medium term, aided by limited debt-funded capex plans, going forward, and repayment of existing term loans. The company's operating profit margin is expected to remain comfortable in the range of 14-15% over the medium term, which would support the debt coverage indicators to some extent. While the company is expected to remain self-sufficient in servicing its debt repayment obligations over the medium term, ICRA expects the parent company, JBMA (or other Group entities), to extend financial support to it in case a need arises.

The ratings are constrained by the company's modest scale of operations with its business remaining limited to manufacturing tools and dies for the JBM Group. Nevertheless, JODT registered a CAGR of ~55% since starting its operations in FY2020, aided by healthy order flows from JBM Group entities. Its revenues stood at ~Rs. 33 crore in FY2022 and ~Rs. 13.3 crore in H1 FY2023.

Since JODT manufactures dies for automotive sector, its earnings remain dependent on new model launches/ facelifts planned by various OEMs, necessitating investments in toolings. Any downturn in automotive demand leading to slowdown in model

[1] *OTC is proposed to acquire 10% stake in JODT in the near-term*

launch plans of OEMs catered, has potential to adversely impact JODT's earnings prospects. In this regard, the JBM Group's long track record and established relationships with OEMs across the various automotive segments, is likely to continue to generate business for toolings, and provides some comfort.

The Stable outlook on the long-term rating reflects ICRA's believe that being a part of the JBM Group, the company is expected to have assured business from the Group, which will support its revenue prospects. Further, ICRA expects JODT to continue to benefit from its strong parentage as a JV between JBM Group and OTC, which provides technical expertise and financial flexibility.

Key rating drivers and their description

Credit strengths

Access to technical expertise as JV between JBM Group and OTC, who have an established track record in the automotive component space – JODT benefits from the technical expertise of its parent companies, JBMA, JBML and OTC, all of which are well-established players in the auto-component manufacturing space. The vast experience of the company's promoters in the automotive industry, coupled with business linkages of JODT with key JBM group entities, offers comfort regarding business stability for the company over the long-term.

Strong parentage as part of the JBM Group ensures revenue visibility and financial flexibility – JODT is a tier-II supplier of tools for several automotive OEMs, which are customers of key JBM Group companies. It derived ~98% of its revenues in FY2022 from Group entities, namely JBM Auto, JBML, JBMI and NMPL, with the key end customers being MSIL, TKML, VECV, HCIL, VW, PSA, Nissan, etc. The business linkages with key JBM group entities ensure revenue visibility, with the company having an orderbook of ~Rs. 20-25 crore throughout the year. Besides ensuring revenue visibility, JODT also derives financial flexibility from being a part of the JBM Group. Moreover, the JBM Group is expected to provide financial support to JODT, if the need arises.

Credit challenges

Modest scale of operations given the nature of the business – JODT's scale of operations is expected to remain modest in the medium term, with its business operations remaining limited to manufacturing tools and dies for the JBM Group. Nevertheless, JODT registered a CAGR of ~55% since starting its operations in FY2020, aided by healthy order flows from JBM Group entities. Its revenues stood at ~Rs. 33 crore in FY2022 and ~Rs. 13.3 crore in H1 FY2023. Going forward, benefitting from being a part of the JBM Group, the company is expected to generate healthy annual business for tool/ dies, which will support its revenue prospects.

Exposure to downturn in the automotive industry with revenues dependent on new model launches by OEMs – JODT manufactures dies for automotive sector, therefore, its earnings remain dependent on new model launches/ facelifts planned by various OEMs, necessitating investments in toolings. Any downturn in automotive demand leading to slowdown in the model launch plans of its client OEMs has the potential to adversely impact JODT's earnings prospects. In this regard, the JBM Group's long track record and established relationships with OEMs across the various automotive segments are likely to continue to generate business for toolings and also provide some comfort.

Liquidity position: Adequate

Despite modest cash balances, JODT's liquidity profile remains adequate, supported by average buffer of Rs. 1.5 crore over the average drawing power of Rs. 2.8 crore in the 7-month period ended September 2022, expected cash accruals of Rs. 4–4.5 crore per annum, and its financial flexibility as part of the JBM Group. Against the available sources of cash, the company has debt repayments of ~Rs. 4.4 crore p.a. in FY2023 and FY2024 and moderate capex requirements (~Rs. 3.5 crore in FY2023 and

~Rs. 2 crore p.a. thereafter), which are expected to be met from a mix of internal accruals, available lines of credit and new term loans.

Rating sensitivities

Positive factors – Sustained scale up in operations and profitability metrics backed by healthy order flows, will be considered favourably for a rating upgrade. Improvement in the credit profile of the parent company, JBM Auto Limited, could also trigger a rating revision.

Negative factors – The ratings could be downgraded in case of weakening in the credit profile of the parent company or weakening of financial and operational linkages with the parent company. The ratings could also be downgraded in case of deterioration in the financial profile of the company due to any large debt-fund capex. A specific credit metric that could lead to a downward pressure on the ratings include Total Debt/ OPBDITA above 3.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Suppliers Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group support	Parent company: JBM Group The rating assigned to JODT factors in the high likelihood of JBM Group extending financial support to it because of close business linkages between them. ICRA also expects the JBM Group to be willing to extend financial support to JODT out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	The rating is based on the standalone financial statements of the issuer.

About the company

Incorporated in 2018, JBM Ogihara Die Tech Private Limited is a 51:49 joint venture between JBM Auto Limited and Jay Bharat Maruti Limited, with proposed future shareholding being JBMA (51%), JBML (39%) and OTC (10%). The company manufacturers press stamping dies, including ultra-high tensile and critical body in white (BIW) dies, primarily for JBM Group entities. The company's plant is a new tool room located in Greater Noida (Uttar Pradesh).

JBM Auto Limited: JBMA was incorporated in 1996 and is a major player in the domestic auto-component space, manufacturing sheet metal components, assemblies and sub-assemblies, tools, dies and moulds. It is a tier-I supplier of components, catering to various OEMs across automotive segments including M&M, TML, VECV, Honda Motorcycles & Scooters, Fiat India, Escorts Limited, and TAFE, among others. Additionally, it ventured into the bus manufacturing space in FY2017 with a facility in Kosi, Uttar Pradesh, catering to some large orders across CNG and electric bus (e-bus) spaces. Currently, JBMA has 16 manufacturing facilities across the country. It has also set up a separate entity, JBM Electric Vehicles Private Limited, to cater to the increased demand for e-buses. It has also set up SPVs to operate e-buses for tenders its won from various State Road Transport Undertakings (SRTUs). JBMA is listed on the stock exchanges, with its Indian promoter family and companies controlling 67.5% stake.

Jay Bharat Maruti Limited: JBML, 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 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.

Ogihara Thailand Co. Limited: OTC is a leading manufacturer of automotive tools and dies as well as stamping/ sub-assembly parts for local and international car/truck manufacturers. OTC has two manufacturing facilities at Ladkrabang Industrial Estate, Bangkok, and Gateway City Industrial Estate, Chachoengsao. Currently, OTC has two JVs in India—JBM Ogihara Automotive India Limited (JOAIL) and JODT—and three affiliated companies in Pakistan (Agriauto Stamping Company), the Philippines (Valerie Products Mfg., Inc.) and Malaysia (Industrial Quality Management SDN BHD).

Key financial indicators (audited)

JODT Standalone	FY2021	FY2022	H1 FY2023*
Operating income	20.8	33.3	13.3
PAT	0.7	1.9	0.8
OPBDIT/OI	12.9%	14.0%	16.8%
PAT/OI	3.2%	5.6%	6.3%
Total outside liabilities/Tangible net worth (times)	1.1	1.1	1.3
Total debt/OPBDIT (times)	0.0	0.7	2.6
Interest coverage (times)	11.9	16.6	5.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

*Source: Company, ICRA Research; * Provisional numbers; 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 Sep 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Dec 07, 2022	-	-	-
1	**Fund Based Limits**	Long term and short term	6.50	-	**[ICRA]BBB-(Stable)/ [ICRA]A3**	-	-	-
2	**Interchangeable Limits**	Short term	(6.50)	-	**[ICRA]A3**	-	-	-
3	**Term Loans**	Long term	13.32	10.50	**[ICRA]BBB-(Stable)**	-	-	-
4	**Unallocated Limits**	Long term and short term	0.68	-	**[ICRA]BBB-(Stable)/ [ICRA]A3**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based Limits	Simple
Interchangeable Limits	Very Simple
Term Loans	Simple
Unallocated Limits	Not applicable

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	Fund Based Limits	NA	NA	NA	6.50	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Interchangeable Limits	NA	NA	NA	(6.50)	[ICRA]A3
NA	Term Loans	December 2021	NA	March 2025	13.32	[ICRA]BBB- (Stable)
NA	Unallocated Limits	NA	NA	NA	0.68	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

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

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

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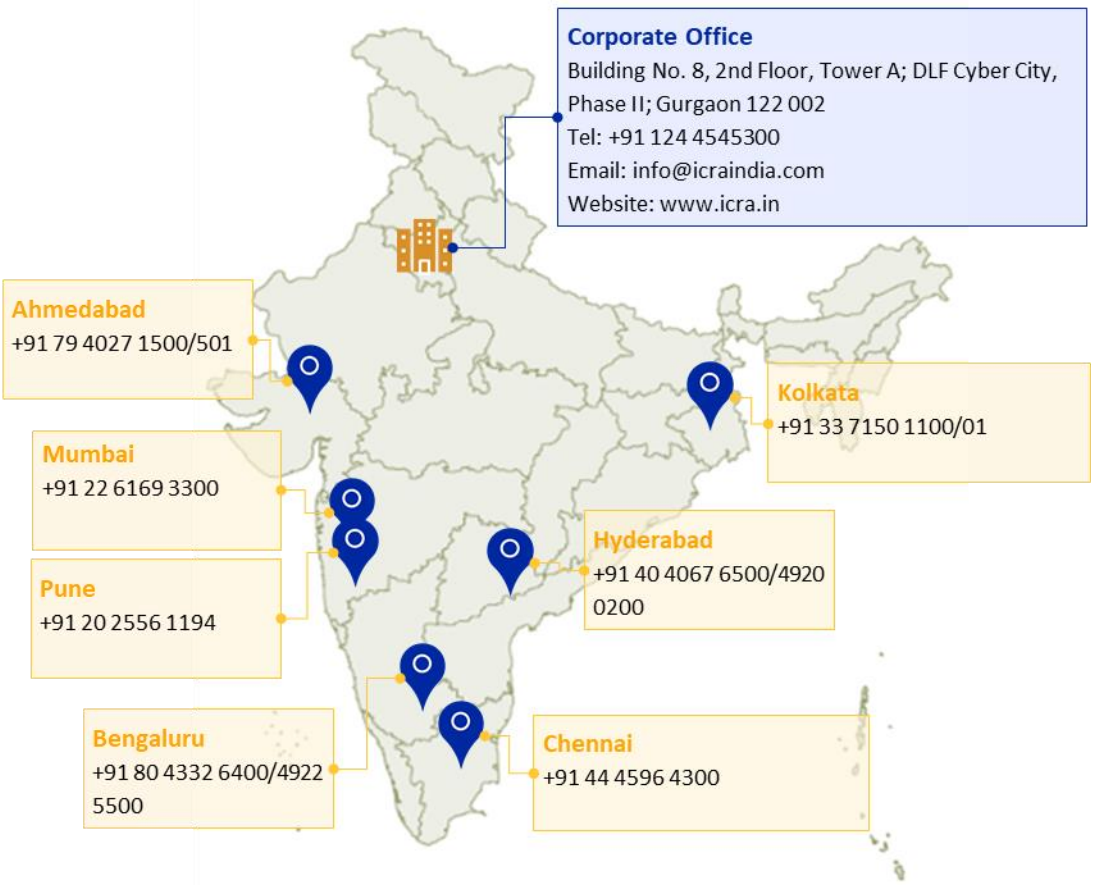

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