December 16, 2024

Neel Metal Products Limited: Ratings assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	136.00	181.05	[ICRA]A (Positive); outstanding/ assigned
Long-term – Non-fund based limits	197.00	104.52	[ICRA]A (Positive); outstanding
Long-term/ Short-term – Fund-based limits	608.00	618.00	[ICRA]A (Positive)/[ICRA]A2+; outstanding/ assigned
Long-term/ Short-term – Non-fund based limits	389.49	545.49	[ICRA]A (Positive)/[ICRA]A2+; outstanding/ assigned
Long-term/ Short-term – Interchangeable limits	(415.00)	(390.00)	[ICRA]A (Positive)/[ICRA]A2+; outstanding
Long-term/ Short-term – Unallocated limits	0.15	60.94	[ICRA]A (Positive)/[ICRA]A2+; outstanding/ assigned
Total	**1,330.64**	**1,510.00**	

**Instrument details are provided in Annexure-I*

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 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 them 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, and (b.) the entities are self-sufficient in meeting their debt-servicing obligations.

The revision in the outlook to Positive from Stable on the long-term rating factors in an expected improvement in the credit metrics for the entity, going forward, aided by steady operational performance and resulting cash flows. With capex outgo and investment requirements of investee entities likely to remain limited, healthy cash accruals are expected to help reduce the company's debt, resulting in an improvement in leverage (Total Debt/OPDBITA expected to moderate to levels of 1.4-1.6 times by FY2026) and debt coverage indicators.

NMPL's standalone revenues grew by ~4% YoY to ~Rs. 5,500.8 crore in FY2024, aided by steady orders from various original equipment manufacturers (OEMs) and its Group companies. Aided by benefits of operating leverage, the company reported an improved OPBDITA of ~Rs. 442 crore in FY2024 vis-à-vis ~Rs. 405 crore in FY2023. 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 expectation of moderate growth in the domestic automotive industry. At a consolidated level, the company's subsidiary, FJM Cylinders, also reported a healthy improvement in scale of operations and profitability, thereby helping NMPL record consolidated revenues (ICRA's estimate; excluding solar entities) of ~Rs. 6,447 crore and an operating profit margin of ~9%.

The ratings 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 such as two-wheeler (2W), three-wheeler (3W), passenger vehicle (PV) and light commercial vehicle (LCV). Additionally, its diversified geographic footprint with manufacturing facilities in proximity to customers supports its competitive positioning. In addition to the established business position with key OEMs, NMPL 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.

ICRA takes comfort from an improvement in the performance of NMPL's key investee companies, leading to improved cash flows for NMPL and lower support requirements. The company's investment in the solar entities have started yielding returns as they have started paying dividends.

The ratings assigned remain constrained by the company's material reliance on short-term borrowings, which exposes the company to refinancing risks. 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 favourably factor in NMPL's status as one of the key JBM Group entities, which lends it healthy financial flexibility. In addition, this has helped the company attain required lines of credit for meeting its requirements in the past; and the same is expected to continue going forward as well.

The ratings remain constrained by an expectation of continued support for its wholly-owned subsidiary, JBM Global Technologies (JBM Global), for meeting its debt servicing obligations (for servicing its debt for funding the acquisition of 50% stake in Linde + Wiemann SE & Co. KG (L&W) in February 2019). The performance of L&W has improved over the past 15-18 months, and the company is expected to remain largely self-sufficient. Even as L+W provides the Group access to new technology, the stake held by NMPL in L+W as well as its Dubai-based entity, Isuki Global FZCO (engaged in trading and cylinder manufacturing through indirect subsidiaries/joint ventures), exposes NMPL to new businesses/geographies, wherein the management has limited experience. ICRA would continue to monitor the performance trend of these entities and the support extended by NMPL, going forward.

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 45-50% of its revenues (at a standalone level) from auto component business is driven by the 2W and 3W segments, ~10% by PVs and about ~5% 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 30% of the company's revenue (FY2024) 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 Suzuki India Limited (MSIL), Hero MotoCorp Limited (HMCL), ALL, and Tata Motors Limited (TML), among others, ensuring healthy revenue visibility.

Stake in L&W provides diversification benefits and access to new technology – The acquisition of L&W has given NMPL access to European markets as well as luxury PV OEMs, such as Daimler and the Volkswagen Group, among others. The acquisition has also given the entity 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.

Credit challenges

Sizeable debt-funded acquisition in Europe resulted in moderation in credit metrics; coverage metrics gradually improving – NMPL acquired 50% stake in L+W on February 25, 2019 for a consideration of €55 million, of which €10 million was contributed as equity and €45 million was availed as debt on the books of its wholly-owned 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 has been not possible till date. With repayments on the €45-million loan having commenced from FY2021, with minimal dividend inflow expectations from L+W, NMPL continues to support the entity in meeting its debt obligations. Given that the repayment obligations are sizeable (~Rs. 80-100 crore annually), the enhanced funding requirements have so far been funded by additional borrowings at NMPL's level; the same is likely to continue to limit an improvement in NMPL's coverage indicators over the medium term. ICRA expects JBM Global to continue to require support from NMPL for meeting its debt servicing obligations (with regards to servicing its debt for funding the acquisition of L+W in February 2019).

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 and the new businesses (trading of plastic polymers, and cylinder, and polyethylene terephthalate bottle manufacturing) set up under its subsidiary in Dubai, 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, remains to be seen, as the Group's experience has been largely limited to the domestic automotive market.

Material reliance on short-term borrowings along with limited buffer in credit facilities – NMPL has, over the years, been reliant 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. Even as ICRA notes that the reliance on short term borrowings has reduced over the past few years, the sustainability of the same needs to be seen.

Liquidity position: Adequate

NMPL's liquidity position is **adequate**, aided by expectation of net cash accruals of Rs. 300-400 crore p.a. and buffer available from unutilised lines of credit and undrawn term loans of ~Rs. 125 crore as of August 31, 2024. 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. 180-200 crore p.a. in FY2025-FY2026 at a consolidated level), ICRA expects the company to meet these through a combination of its free cash flows, available lines of credit, and incremental loans 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 ratings could be upgraded in case of a sustained improvement in the leverage and coverage indicators with Adjusted Total Debt/ OPBDITA[1] below 1.7 times. Additionally, improvement in its liquidity profile such that reliance on 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 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.

[1] *Adjusted for financials of solar entities*

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of NMPL. However, the solar entities, wherein it holds a 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 Solar Energy Maharashtra Private Limited, JBM Solar Power Maharashtra Private Limited and JBM Solar Power Private Limited. The details of the consolidated entities can be found in Annexure II.

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 for this business 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. Following the merger, NMPL also supplies 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 ~34% of the company's sales in FY2024, providing stability to its revenues as 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, L+W, through a 100% subsidiary, JBM Global Technologies. As on March 31, 2024, the total investments in JVs, subsidiaries and other JBM Group companies amounted to Rs. 1,449.5 crore.

Key financial indicators (audited)

NMPL	Standalone		Consolidated[2]	
	FY2023	FY2024	FY2023	FY2024
Operating income	5,293.8	5,500.8	5,950.6	6,447.7
PAT	311.8	242.0	249.1	268.2
OPBDIT/OI	7.6%	8.0%	8.6%	9.0%
PAT/OI	5.9%	4.4%	4.2%	4.2%
Total outside liabilities/Tangible net worth (times)	0.9	0.7	1.3	0.9
Total debt/OPBDIT (times)	1.9	1.6	2.5	2.0
Interest coverage (times)	5.9	5.7	5.4	5.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[2] *ICRA's estimate, excluding solar entities*

Rating history for past three years

Instrument	Current rating (FY2025) Type	Amount rated (Rs. crore)	FY2025 Date	FY2025 Rating	FY2024 Date	FY2024 Rating	FY2023 Date	FY2023 Rating	FY2022 Date	FY2022 Rating
Long term-others-non fund based	Long Term	104.52	**Dec 16, 2024**	**[ICRA]A (Positive)**	Jul 31, 2023	[ICRA]A (Stable)	Apr 04, 2022	[ICRA]A- (Stable)	Oct 19, 2021	[ICRA]BBB+ (Stable)
			Oct 30, 2024	**[ICRA]A (Positive)**						
Long term / short term-others-interchangeable	Long Term/Short Term	(390.00)	**Dec 16, 2024**	**[ICRA]A (Positive)/ [ICRA]A2+**	Jul 31, 2023	[ICRA]A (Stable)/ [ICRA]A2+	Apr 04, 2022	[ICRA]A- (Stable)/ [ICRA]A2+	Oct 19, 2021	[ICRA]BBB+ (Stable)/ [ICRA]A2
			Oct 30, 2024	**[ICRA]A (Positive)/ [ICRA]A2+**						
Long term / short term-others-fund based	Long Term/Short Term	618.00	**Dec 16, 2024**	**[ICRA]A (Positive)/ [ICRA]A2+**	Jul 31, 2023	[ICRA]A (Stable)/ [ICRA]A2+	Apr 04, 2022	-	-	-
			Oct 30, 2024	**[ICRA]A (Positive)/ [ICRA]A2+**						
Long term / short term-unallocated-unallocated	Long Term/Short Term	60.94	**Dec 16, 2024**	**[ICRA]A (Positive)/ [ICRA]A2+**	Jul 31, 2023	[ICRA]A (Stable)/ [ICRA]A2+	Apr 04, 2022	-	-	-
			Oct 30, 2024	**[ICRA]A (Positive)/ [ICRA]A2+**						
Long term-term loan-fund based	Long Term	181.05	**Dec 16, 2024**	**[ICRA]A (Positive)**	Jul 31, 2023	[ICRA]A (Stable)	Apr 04, 2022	[ICRA]A- (Stable)	Oct 19, 2021	[ICRA]BBB+ (Stable)
			Oct 30, 2024	**[ICRA]A (Positive)**						
Long term / short term-others-non fund based	Long Term/Short Term	545.49	**Dec 16, 2024**	**[ICRA]A (Positive)/ [ICRA]A2+**	Jul 31, 2023	[ICRA]A (Stable)/ [ICRA]A2+	Apr 04, 2022	[ICRA]A- (Stable)/ [ICRA]A2+	Oct 19, 2021	[ICRA]BBB+ (Stable)/ [ICRA]A2
			Oct 30, 2024	**[ICRA]A (Positive)/ [ICRA]A2+**						

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term– Non Fund based Limits	Simple
Long-term/ Short -term – Fund based Limits	Simple
Long-term/ Short -term – Non Fund based Limits	Simple
Long-term/ Short -term – Interchangeable Limits	Simple
Long-term/ Short -term – 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	Term Loan-I	FY2016	NA	FY2025	4.05	[ICRA]A (Positive)
NA	Term Loan-II	FY2023	NA	FY2029	15.00	[ICRA]A (Positive)
NA	Term Loan-III	FY2025	NA	FY2031	40.00	[ICRA]A (Positive)
NA	Term Loan-IV	FY2025	NA	FY2031	50.00	[ICRA]A (Positive)
NA	Term Loan-V	FY2025	NA	FY2031	72.00	[ICRA]A (Positive)
NA	Non Fund-Based Facilities	NA	NA	NA	104.52	[ICRA]A (Positive)
NA	Fund Based Limits	NA	NA	NA	618.00	[ICRA]A (Positive)/ [ICRA]A2+
NA	Non Fund-Based Facilities	NA	NA	NA	545.49	[ICRA]A (Positive)/ [ICRA]A2+
NA	Interchangeable Limits	NA	NA	NA	(390.00)	[ICRA]A (Positive)/ [ICRA]A2+
NA	Unallocated Limits	NA	NA	NA	60.94	[ICRA]A (Positive)/ [ICRA]A2+

Source: 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	NMPL Ownership	Consolidation Approach
JBM Motors Limited*	90.91%	Full Consolidation
JBM Green Energy Systems Private Limited	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	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 Enviro Bioenergy Lucknow Pvt. Ltd.	99.90%	Full Consolidation
JBM Exhaust Systems Private Limited	100.00%	Full Consolidation
JBM Kanemitsu Pulleys Private Limited	51.00%	Full Consolidation
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	50.10%	Equity Method
Lean Automation Equipments Private Limited	60.00%	Equity Method
Linde+Weimann SE & Co. KG*	50.00%	Equity Method
Isuki Global FZCO	100.00%	Full Consolidation

Company Name	NMPL Ownership	Consolidation Approach
Kian Ventures FZCO*	51.00%	Equity Method
Kian international Industries FZ-LLC*	95.00%	Full Consolidation
Horizon Technologies*	45.00%	Equity Method

*Source: NMPL annual report FY2024; *step down subsidiary/ JV*

Note: ICRA has considered the consolidated financials of the parent (NMPL), its subsidiaries and associates (excluding the solar entities) while assigning the ratings.

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