

Rating Rationale

December 13, 2024 | Mumbai

JBM Auto Limited

Ratings reaffirmed at 'CRISIL A/Stable/CRISIL A1'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.2020 Crore (Enhanced from Rs.1820 Crore)
Long Term Rating	CRISIL A/Stable (Reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A/Stable/CRISIL A1' ratings on the bank loan facilities of JBM Auto Ltd (JAL).

The ratings continue to reflect JAL's established market position with scaling up of e-bus manufacturing, diversified customer profile, longstanding presence in the auto components industry and average financial risk profile. These strengths are partially offset by high leverage in the bus manufacturing and operating division, large working capital requirement and susceptibility to volatility in raw material cost and pricing pressures from original equipment manufacturers (OEMs).

Fiscal 2025 is expected to see 10-12% revenue growth, building on the 21% increase in fiscal 2024. This growth will be driven primarily by a 40% surge in the bus OEM division, fueled by a robust order book of over 4,500 buses as on date. However, the component and tooling division is expected to experience flat sales, due to moderate growth in the passenger vehicle (PV) and commercial vehicle (CV) industries this fiscal. Despite this, operating profitability is likely to remain stable at 11-12%, benefiting from operating leverage and backward integration. Slower-than-expected ramp-up in execution of bus OEM orders due to holdup in clearances, as seen last fiscal, will remain a key rating sensitivity factor.

In fiscal 2025, the company is expected to secure an investor for the platform (JBM Ecolife Mobility Pvt Ltd) that houses its Gross Cost Contract (GCC) special purpose vehicles (SPVs). This will ease the burden of equity infusion of Rs 250-300 crore per annum over the next 2-3 years into the GCC SPVs, supporting the credit profile of JAL.

Furthermore, JAL's working capital requirement is expected to reduce this fiscal thereby reducing pressure on utilising fund-based lines, as approximately Rs 450 crore of debt is expected to be disbursed in the GCC SPVs this fiscal, resulting in payments by these SPVs to JAL for the e-buses delivered to the SPVs. The recent increase in fund-based utilisation is reflected in average utilisation of 93% in the eight months through October 2024 for a drawing power of Rs 700-800 crore.

As a result, the company's total debt which had surged during the first half of fiscal 2025, largely due to debt-funded equity investments in the GCC SPVs and higher working capital requirement is anticipated to revert to fiscal 2024 levels by end of fiscal 2025. This will largely be due to the funds from the expected investor that will be used to repay the equity bridge financing loan taken by JAL this fiscal, along with reduction in working capital needs. Furthermore, capital expenditure (capex) plans over the next 2-3 years are expected to be limited to maintenance capex and some investments in JBM Green Energy Systems Pvt Ltd.

As a result, the debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratio is anticipated to reduce from ~4.0 times in fiscal 2024 to 3.7-3.8 times in fiscal 2025 but be higher at 4.1-4.2 times if the debt repayment does not occur in a timely manner. The company is expected to embark on a deleveraging journey from next fiscal, which will lead to an improvement in the debt-to-EBITDA ratio to 3.2-3.4 times over the medium term. Consequently, the interest coverage ratio is expected to remain moderate, from 3.5 times in fiscal 2024 to approximately 2.7-2.8 times in fiscal 2025, before rebounding to ~3 times over the medium term.

Cash accrual is expected to increase to Rs 300-350 crore per annum over this and the next two fiscals. This will comfortably cover the annual consolidated debt obligation of Rs 150-230 crore. Furthermore, the company has strong market capitalisation which provides financial flexibility.

Lower-than-expected ramp-up in cash accrual, resulting in sustained high leverage, will be a key monitorable.

Analytical Approach

CRISIL Ratings has fully consolidated the business and financial risk profiles of JAL and its subsidiaries apart from its GCC SPVs. JBM Green and JBM EV Industries that are joint ventures of its subsidiary, JBM Electric Vehicle, have been fully

consolidated because these entities are engaged in similar business, with a common management and strong business linkage. Other joint ventures have been consolidated to the extent of JAL's shareholding.

CRISIL Ratings has moderately consolidated existing and upcoming GCC SPVs, to the extent of equity commitment and cash flow mismatches during operations.

However, the SPV - Ecolife Green One Mobility Pvt Ltd has been fully consolidated as the company has provided an unconditional and irrevocable guarantee against the project debt undertaken in the SPV.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established business position with foray into e-bus manufacturing along with a diverse customer profile:** With longstanding relationships with Tata Motors Ltd ('CRISIL AA+/Stable/CRISIL A1+') and Mahindra & Mahindra Ltd ('CRISIL AAA/Stable/CRISIL A1+') as well as CV players such as VE Commercial Vehicles Ltd, JAL has a solid base of repeat orders from these customers in the component business which accounts for ~55% of the component division revenue. JAL has also initiated proceedings to supply to two-wheeler manufacturers such as Honda and Eicher Motors, which is seen as a buffer to its major PV clients such as Tata Motors Ltd and Mahindra & Mahindra. The tooling business accounts for about ~6% of revenue and is a high-margin business, which continues to grow in line with the industry.

The company has also ventured into the e-bus division since 2019 with 27% of the company's revenue coming from this segment in fiscal 2024. With a strong focus on e-bus manufacturing and execution of over 4,500 e-bus orders in the last three years, revenue contribution from this segment is expected to increase to 30-35% over the medium term, supporting diversification in revenue.

Ramp-up in revenue from the OEM bus segment should support diversification of revenue and operating performance this fiscal.

- **Longstanding presence in the auto components industry:** Industry presence of over two decades, strong product portfolio and established clientele will continue to support the business. Jay Bharat Maruti Ltd (JBML, a joint venture with MSIL), the flagship group company, manufactures large and medium sheet-metal components, chassis, suspension parts, assemblies and sub-assemblies for Maruti Suzuki India Ltd (MSIL; 'CRISIL AAA/Stable/CRISIL A1+'). Neel Metal Products Ltd, another group company, supplies steel components (steel blanks and tubes) to JAL and JBML as input for sheet metal components.
- **Average financial risk profile:** JAL's capex plans over the next 2-3 years are expected to be limited to maintenance capex and some investments in JBM Green Energy Systems Pvt Ltd. Additionally, the company is expected to secure an investor for the platform (JBM Ecolife Mobility Pvt Ltd) that houses its GCC SPVs within fiscal 2025, which will ease the burden of equity infusion of Rs 250-300 crore per annum over the next 2-3 years by JAL into the GCC SPVs, supporting the credit profile of JAL.

The company's networth was moderate at Rs 919 crore in fiscal 2024. Its total debt has surged in fiscal 2025, largely due to debt-funded equity investments in the GCC SPVs. However, this increase is expected to be temporary, and debt levels are anticipated to revert to fiscal 2024 levels once the company receives cash inflow from the investor at JBM Ecolife Mobility Pvt Ltd this fiscal. As a result, the debt to EBITDA ratio is anticipated to reduce from ~4.0 times in fiscal 2024 to 3.7-3.8 times in fiscal 2025 but be higher at 4.1-4.2 times if the debt repayment does not occur in a timely manner. The company is expected to embark on a deleveraging journey from next fiscal, which will lead to an improvement in the debt to EBITDA ratio to 3.2-3.4 times over the medium term. Consequently, the interest coverage ratio is expected to remain moderate, from 3.5 times in fiscal 2024 to approximately 2.7-2.8 times in fiscal 2025, before rebounding to ~3 times over the medium term.

Lower-than-expected ramp-up in cash accrual, resulting in sustained high leverage, will be a key monitorable.

Weaknesses:

- **High equity commitments in the bus OEM division with ramp up in orders:** Revenue from the bus segment is expected to increase by more than 40% this fiscal from Rs 1,228 crore in fiscal 2024 driven by execution of healthy order book of over 4,500 buses. A sustained increase in scale and profitability has supported the business.

Due to ramp up in orders, the company will need to make equity infusion of Rs ~800 crore in the GCC SPVs from fiscal 2025 to fiscal 2027. However, it is expected to secure an investor for the platform (JBM Ecolife Mobility Pvt Ltd) that houses its GCC SPVs within fiscal 2025, which will ease the burden of equity infusion of Rs 250-300 crore per annum over the next 2-3 years by JAL into the GCC SPVs, hence supporting the credit profile.

This will be a key monitorable, as in absence of the investor, the burden of equity infusion will fall on JAL, resulting in deterioration of its credit profile.

- **Working capital-intensive operations:** Consolidated gross current assets (GCAs) were 233 days as on March 31, 2024, and expected to be around ~190 days over the medium term.

The working capital cycle was impacted in fiscal 2024, as inventory and unbilled revenue levels surged significantly, despite stable receivables. This was primarily driven by the execution of e-bus orders for GCC projects, which led to a buildup of parts in inventory and unbilled revenue. To accommodate the increased working capital requirement, payables also rose. However, a reversal of this trend in the current fiscal is expected, as the delivery of buses to GCC SPVs is underway, converting inventory and unbilled revenue into receivables and cash. Furthermore, by December 2024, approximately Rs ~450 crore of debt is expected to be disbursed in the GCC SPVs, resulting in payments to JAL for the buses. Consequently, payables are also expected to return to normal levels.

Furthermore, the working capital cycle is sensitive to the tooling business and tends to be cyclical. The tooling business is volatile with high rejection rates and requiring development of new moulds for OEMs, leading to higher working capital requirement. Any increase in working capital requirement due to the execution of bus orders resulting in large increase in GCAs will remain monitorable.

- **Susceptibility to volatility in raw material cost and pricing pressures from OEMs:** Profitability remains susceptible to pricing pressures from OEMs and volatility in raw material cost. The operating margin was 9-13% over the past five years. Increasing the proportion of high-margin products, developing a value chain and altering the product mix will be critical to maintain the margin. Given the high dependence on the auto sector, revenue is also vulnerable to inherent cyclical in the sector.

Liquidity: Adequate

Cash accrual is expected to increase to Rs 300-350 crore per annum over this and the next two fiscals. This will comfortably cover the annual consolidated debt obligation of Rs 150-230 crore. However, fund-based bank limit utilisation was moderate at 93% on average in the eight months through October 2024 which is expected to reduce with disbursement of Rs ~450 crore of debt in the GCC SPVs by December 2024, resulting in payments to JAL for the buses.

Outlook: Stable

CRISIL Ratings believes JAL will continue to benefit from its established position in the auto components industry, healthy relationships with OEMs and moderate financial risk profile.

Rating sensitivity factors

Upward factors:

- Improvement in the financial risk profile, driven by healthy increase in cash accrual or equity infusion, for instance debt to Ebitda ratio below 2.8-3 times on sustained basis
- Significant improvement in the working capital cycle, leading to higher cushion in bank limits
- Expansion in scale of operations supported by improving customer and product diversity and increase in profitability on sustained basis

Downward factors

- Larger-than-expected debt-funded capex or higher-than-expected corporate guarantees to the subsidiaries, adversely impacting credit metrics with debt to Ebitda ratio of 3.5-3.7 times on sustained basis
- Significantly weaker-than-expected profitability resulting in net cash accrual below Rs 250 crore on sustained basis
- Any delay in debt reduction due to continued stretch in the working capital cycle or increase in working capital requirement leading to lower cushion in bank limits

About the Company

Incorporated in 1996, JAL manufactures sheet metal components, assemblies and sub-assemblies, tools, dies and moulds. It is primarily a tier-1 supplier of key systems and assemblies to the automotive OEM industry. JAL has 16 manufacturing facilities— 14 for sheet metal components and tooling and two for buses and one skill development centre (SDC). It has also set up various subsidiaries to cater to the increased demand from the e-bus segment.

Key Financial Indicators

Particulars	Units	2024*	2023*
Revenue	Rs crore	4511	3741
Profit after tax (PAT)	Rs crore	191	117
PAT margin	%	4.2	3.1
Adjusted gearing	Times	2.29	1.97
Adjusted Interest coverage	Times	3.50	3.61

*CRISIL Ratings adjusted numbers

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit & Working Capital Demand Loan	NA	NA	NA	966	NA	CRISIL A/Stable
NA	Cash Credit & Working Capital Demand Loan*	NA	NA	NA	161.2	NA	CRISIL A/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	454	NA	CRISIL A1
NA	Term Loan	NA	NA	30-Sep-30	77.89	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Jan-25	11.65	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	30-Jun-27	78.75	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Dec-25	18.75	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Dec-25	28.57	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Dec-29	125	NA	CRISIL A/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	48.19	NA	CRISIL A/Stable
NA	Proposed Term Loan	NA	NA	NA	50	NA	CRISIL A/Stable

*Fully interchangeable with Non fund based

Annexure – List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
INDO Toolings Pvt Ltd	Full	Strong operational and financial linkages
JBM Electric Vehicles Pvt Ltd	Full	Strong operational and financial linkages
JBM Green Energy Systems Pvt Ltd	Full	Strong operational and financial linkages
JBM EV Industries Pvt Ltd	Full	Strong operational and financial linkages
JBM Ecolife Mobility Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
MH Ecolife Emobility Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
Ecolife Green One Mobility Pvt Ltd	Full	Corporate guarantee extended by JAL
VT Emobility Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
JBM Ecolife Mobility Haryana Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
JBM Ecolife Mobility Surat Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
JBM Eco Tech Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
TL Ecolife Mobility Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
Ecolife Mobility Bhubaneswar Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
JBM EV Technologies Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
Ecolife Indraprastha Mobility Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
Ecolife GT Mobility Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
Ecolife Mobility Mumbai Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations

KA Ecolife Mobility Pvt Ltd	Moderate	Support towards equity commitment and cash flow mismatches during operations
JBM Ogihara Automotive India Ltd	Equity Method	Proportionate consolidation
JBM Ogihara Die Tech Pvt Ltd	Equity Method	Proportionate consolidation

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	1566.0	CRISIL A/Stable		--	15-09-23	CRISIL A/Stable	05-08-22	CRISIL A/Stable	06-10-21	CRISIL A/Stable	CRISIL A/Stable
					--		--	29-07-22	CRISIL A/Stable	05-03-21	CRISIL A/Stable	CRISIL A/Stable
Non-Fund Based Facilities	ST	454.0	CRISIL A1		--	15-09-23	CRISIL A1	05-08-22	CRISIL A1	06-10-21	CRISIL A1	CRISIL A1
					--		--	29-07-22	CRISIL A1	05-03-21	CRISIL A1 / CRISIL A/Stable	CRISIL A1

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit & Working Capital Demand Loan ^{&}	115	DBS Bank India Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	50	Kotak Mahindra Bank Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	117	HDFC Bank Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	200	YES Bank Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	1	ICICI Bank Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	26.81	IndusInd Bank Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan ^{&}	46.2	CTBC Bank Co Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	120	IDFC FIRST Bank Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	144.19	IndusInd Bank Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	117	Axis Bank Limited	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	150	Indian Bank	CRISIL A/Stable
Cash Credit & Working Capital Demand Loan	40	Qatar National Bank (Q.P.S.C.)	CRISIL A/Stable
Letter of credit & Bank Guarantee	120	IndusInd Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	60	RBL Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	24	Axis Finance Limited	CRISIL A1
Letter of credit & Bank Guarantee	75	Bank of Bahrain and Kuwait B.S.C.	CRISIL A1
Letter of credit & Bank Guarantee	56	ICICI Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	69	HDFC Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	50	Kotak Mahindra Bank Limited	CRISIL A1

Proposed Long Term Bank Loan Facility	48.19	Not Applicable	CRISIL A/Stable
Proposed Term Loan	50	Not Applicable	CRISIL A/Stable
Term Loan	78.75	Axis Finance Limited	CRISIL A/Stable
Term Loan	125	IDFC FIRST Bank Limited	CRISIL A/Stable
Term Loan	18.75	CTBC Bank Co Limited	CRISIL A/Stable
Term Loan	11.65	HDFC Bank Limited	CRISIL A/Stable
Term Loan	28.57	RBL Bank Limited	CRISIL A/Stable
Term Loan	77.89	Axis Bank Limited	CRISIL A/Stable

& - Fully interchangeable with Non fund based

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

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