

# Ratings

# CRISIL

An S&P Global Company

## Rating Rationale

April 30, 2020 | Mumbai

### Jay Ushin Limited

*Long-term rating downgraded to 'CRISIL BB/Stable' ; short-term rating reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.125 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BB/Stable (Downgraded from 'CRISIL BB+/Stable')</b>
<b>Short Term Rating</b>	<b>CRISIL A4+ (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has downgraded its rating on the long-term bank facilities of Jay Ushin Limited (JUL) to 'CRISIL BB/Stable' from 'CRISIL BB+/Stable' and reaffirmed its short-term rating at 'CRISIL A4+'.

The downgrade reflects the continued stretch expected in liquidity against previous expectation of improvement starting fiscal 2021. Although JUL is expected to meet CRISIL's expectation on cash accrual for fiscal 2020, accrual generation in fiscal 2021 is expected to be impacted due to subdued business performance arising out of the weak demand outlook for automobiles over the medium term following the Covid-19 pandemic. Consequently, cushion between net cash accrual and debt obligation is expected to remain low despite availing of moratorium for April and May 2020.

The ratings reflect JUL's established market position in the automotive components industry and reputed clientele. These strengths are partially offset by low profitability and a modest financial risk profile.

#### Key Rating Drivers & Detailed Description

##### Strengths

\* **Established market position in the automotive components industry:** Benefits from the promoters' experience of over three decades, healthy relationships with customers and suppliers, and a diversified product profile should continue to support the business. Revenue has grown steadily year-on-year on account of JUL's presence in the two-wheeler, four-wheeler, and commercial vehicle segments.

\* **Reputed clientele:** Customers comprise some of India's largest original equipment manufacturers (OEMs) such as Maruti Suzuki India Ltd (MSIL), Honda Cars India Pvt Ltd, Honda Motorcycle and Scooters Pvt Ltd, and Suzuki Motorcycle India Pvt Ltd. Nearly half the revenue is derived from the largest customer, MSIL.

##### Weaknesses

\* **Low profitability:** Operating margin has remained 2.3-4.0% in the three fiscals through 2019. However, profitability should remain stable over the medium term despite volatility in the prices of key raw materials (zinc and copper). Furthermore, there is no replacement market for these inputs. Although JUL revises its prices with key customers every quarter, it remains exposed to fluctuations in input prices. Better utilisation and cost absorption have improved margin over the last fiscal. Susceptible to cyclicity in the automobile industry persists too.

\* **Modest financial risk profile:** Although networth was estimated to be comfortable at Rs 73 crore as on March 31, 2020, total outside liabilities to tangible networth (TOLTNW) ratio was likely to be high at around 3.7 times. Also, interest coverage ratio was estimated to be modest at 1.9 times for fiscal 2020.

#### Liquidity Stretched

Liquidity continues to remain under pressure. Net cash accrual is barely expected to cover debt obligation over the medium term. Current ratio is estimated to remain low at around 0.9 time, largely in line with previous fiscals.

To support liquidity during the lockdown period, JUL has requested its bankers to convert outstanding amounts in sales bill discounting facility to a working capital demand loan with a maturity period of 60 or 90 days. This will be paid off once receivables from customers are realised.

Furthermore, CRISIL continues to take comfort from rights approval from U-Shin Ltd, JUL's joint venture (JV) partner. The rights issue of Rs 50 crore was approved by U-Shin Ltd in 2013 and the company can avail of the amount if the need arises, depending on other approvals.

**Outlook: Stable**

CRISIL believes JUL will continue to benefit from its established market position in the automotive components industry.

**Rating Sensitivity Factors****Upward factors**

\*Improvement in net cash accrual generation, with accrual to debt repayment ratio keeping over 1.3 times for an entire year

\*Improvement in debt protection metrics

**Downward factors**

\*Deterioration in capital structure with TOLTNW ratio deteriorating to more than 4.5 times

\*Significant decline in revenue or profitability impacting cash accrual generation.

**About the Company**

Incorporated in 1986, JUL is a JV between the JPM group (owned by Mr J P Minda and his sons, Mr Ashwani Minda and Mr Anil Minda) and U-Shin Ltd, Japan. It manufactures automotive components such as lock and key sets, combination switches, heater control panels, and door latches for leading automotive OEMs. It is headquartered in Gurugram and has manufacturing units in Gujarat, Chennai, Bengaluru, Manesar (Haryana), and Bhiwadi (Rajasthan). The company is listed on the Bombay Stock Exchange.

**Key Financial Indicators**

As on/for the period ended March 31	Unit	2019	2018
Operating income	Rs.Crore	855.24	860.38
Reported profit after tax (PAT)	Rs.Crore	11.5	10.6
PAT margin	%	1.3	1.2
Adjusted debt/adjusted networkth	Times	2.5	2.72
Interest coverage	Times	2.2	1.85

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

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**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Rating assigned with outlook
NA	Term loan	NA	NA	Apr-2022	54.75	CRISIL BB/Stable
NA	Foreign currency term loan	NA	NA	Mar-2022	14.25	CRISIL BB/stable
NA	Sales bill discounting	NA	NA	NA	31	CRISIL A4+
NA	Purchase bill discounting	NA	NA	NA	25.0	CRISIL A4+

**Annexure - Rating History for last 3 Years**

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	125.00	CRISIL BB/Stable/ CRISIL A4+			30-08-19	CRISIL BB+/Stable/ CRISIL A4+	26-09-18	CRISIL BBB-/Stable/ CRISIL A3	26-12-17	CRISIL BBB/Negative/ CRISIL A3+	CRISIL BBB/Stable/ CRISIL A3+
										01-11-17	CRISIL BBB/Negative/ CRISIL A3+	
Non Fund-based Bank Facilities	LT/ST		--		--		--		--	01-11-17	CRISIL A3+	CRISIL A3+

All amounts are in Rs.Cr.

**Annexure - Details of various bank facilities**

Current facilities			Previous facilities		
Facility	Amount	Rating	Facility	Amount	Rating

	(Rs.Crore)			(Rs.Crore)	
Foreign Currency Term Loan	14.25	CRISIL BB/Stable	Foreign Currency Term Loan	14.25	CRISIL BB+/Stable
Purchase Bill Discounting	25	CRISIL A4+	Purchase Bill Discounting	25	CRISIL A4+
Sales Bill Discounting	31	CRISIL A4+	Sales Bill Discounting	31	CRISIL A4+
Term Loan	54.75	CRISIL BB/Stable	Term Loan	54.75	CRISIL BB+/Stable
<b>Total</b>	<b>125</b>	<b>--</b>	<b>Total</b>	<b>125</b>	<b>--</b>

**Links to related criteria**

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Auto Component Suppliers](#)

[CRISILs Bank Loan Ratings](#)

[The Rating Process](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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