Jay Ushin Limited

February 02, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	32.87 (Reduced from 44.00)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	60.50 (Reduced from 66.00)	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable/ A Four Plus)	Reaffirmed
Total Bank Facilities	**93.37 (Rs. Ninety-Three Crore and Thirty-Seven Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Jay Ushin Limited (JUL) takes into account low profitability margins, operations necessitating regular capex, moderate financial risk profile marked by high overall gearing and susceptibility to volatility in raw material prices. However, the ratings derive comfort from extensive experience of promoters, improvement in operating performance during H1FY22 (refers to the period from April 01 to September 30) driven by uptick in demand in the automobile industry leading to healthy sales realizations, long track record of operations and reputed clientele. The ratings also factor in technical assistance JUL receives from Ushin Limited and established market position of the company by virtue of being part of JPM group.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Significant improvement in the cash accruals above Rs. 30.00 crore on sustained basis.
- Improvement in capital structure with gearing lower than 1.50x.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Cash accruals lower than Rs. 12.00 crore leading to weak liquidity.
- Deterioration in the capital structure of the company with overall gearing above 2.80x

Detailed description of the key rating drivers

Key Rating Weaknesses

Low profitability margins: The total operating income of the company declined by 12.41% to Rs.588.24 crore in FY21(PY: Rs.671.59 crore) on account of subdued performance during H1FY21 (refers to the period from April 01 to September 30) due to sluggish demand in the automobile industry and subsequent outbreak of covid-19 pandemic which resulted in company reporting total operating income of Rs.193.84 crore during H1FY21. The PBILDT margin of the company improved marginally to 5.47% (PY: 5.12%) during FY21 on account of reduction in employee salaries and wages and reduction in travelling and conveyance expense due to covid-19 induced travelling restrictions. However, despite improvement in the PBILDT margin, the company reported net loss of Rs.4.00 crore in FY21 (PY: net profit of Rs.2.64 crore) on account of increase in depreciation expense as a percentage of total operating income (due to decrease in total operating income in FY21). During H1FY22 (refers to the period from April 01 to September 30), the total operating income of the company grew by 62.49% to Rs.314.99 crore (PY: Rs.193.84 crore) driven by revival in demand in the automobile industry. For the period H1FY22, the company reported net operating profit of Rs.19.89 crore (PBILDT margin of 6.31%) vis-à-vis net operating loss of Rs.1.16 crore during H1FY21 due to decrease in employee salaries and wages as a percentage of total operating income in H1FY22 on account of substantial increase in scale of operations. Consequently, the company reported net profit of Rs.4.69 crore (PAT margin of 1.49%) during H1FY22 vis-à-vis net loss of Rs.18.98 crore during H1FY21.

Moderate financial risk profile: The overall gearing remained high at 2.17x as on March 31, 2021 (PY: 2.17x) owing to huge long term borrowing on the company as a result of regular capital expenditure requirement of the operations. The debt coverage indicators of the company remained moderate with PBILDT interest coverage and total debt/GCA of 2.35x (PY: 2.21x) and 8.34x (PY: 7.40x) in FY21 respectively.

Capex oriented nature of operating segment: JUL is operating in a segment where, it has to invest in product designing, sourcing the raw material and setting up facility for manufacturing of new developed product. In view of the same, the company regularly undertakes capex ranging between Rs.8.00 crore to Rs.10.00 crore every year. In FY21, JUL spent ~Rs.11.00 crore towards capital expenditure which was partially funded by internal accruals and partially from bank debt.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Susceptibility to volatility in the raw material prices: The raw material used in the production of door latches, switches and lock sets is primarily zinc (~40% of total purchases), plastic (~15%-20% of total purchases), aluminium and copper (~40% of total purchases). The raw material cost to the company was ~84% of total production cost in FY21 (PY: ~82%). Further, since the orders with customers are revised only quarterly, there is a time lag of a quarter to pass on the raw material price changes, the company remains exposed to adverse movement in raw material prices.

Key Rating Strengths

Experienced promoters with long track record of operations: JUL was promoted in 1986 by Mr. J. P. Minda along with his son Mr. Ashwani Minda to manufacture automotive components. The company is part of automotive ancillary conglomerate JPM Group. Mr. J. P. Minda is B. E. (Electrical) BITS, Pilani and holds 60 years of experience in automotive components industry. Mr. Ashwani is B. Tech from IIT, Delhi with an experience of 33 years in the industry.

Reputed client base with long-term relationship albeit concentrated: The company is supplier to reputed Original Equipment Manufacturers (OEM's) including Maruti Suzuki, Hyundai Motors, Renault Nissan, Hero Motocorp. The top ten customers contributed 84.95% towards total revenue of the company during FY21 (PY: 85.09%). The strong tie-ups benefit the company in terms of assured demand from the clients.

Technical assistance from Ushin Limited, Japan: JUL is a joint venture between JPM group and Ushin Limited (Japan). Ushin Limited provides technical assistance to the JV, which helps it to be ahead of its competitors and be the preferred supplier for the OEMs because of its association with the Japanese company. JUL pays royalty and fees for technical know-how.

Established market position in the automobile components industry: JUL has established market image and is a Tier-1 supplier to almost all major 4-wheeler and 2-wheeler OEMs. The dominance of JUL in Indian market and association with JPM Group provides revenue visibility for future. The company is receiving repeat orders from these OEMs for the supply of door latches and lock sets. The door latches and lock sets supplied by the company find application in the following popular car models which includes WagonR, Swift, Ertiga, Alto, Dezire, Amaze, Mobilio, Honda City.

Industry Outlook: Amidst the rising threat of new variant of Covid-19 (Omicron), the overall demand for automobile industry is expected to remain impacted going ahead. The government has been aggressively driving the vaccination process. The elevated fuel and input costs are continuing to dampen the customer sentiment which might restrict the improvement in rural demand. OEMs across the automobile industry are facing challenge of high raw material prices along with chip shortage. Chip shortage issues are expected to ease off gradually over the next fiscal. This in turn is expected to reduce the waiting period leading to an increase in production volumes of vehicles. Also, softening in commodity prices and year end festive and discount schemes are likely to potentially lead to increase in demand in automobile segment going ahead.

Liquidity: Adequate: The liquidity profile of the company is adequate with projected gross cash accruals to the tune of Rs.27.97 crore during FY22 against scheduled debt repayments of Rs.22.85 crore in FY22. Further the average utilization of working capital borrowings stood around 80% for the trailing 12 months ended December, 2021. Further, the company is projected to incur capex (with respect to regular maintenance of plant and machinery) to the tune of Rs.12.00 crore in FY22 which will be funded by term loan of Rs.10.00 crore and remaining through internal accruals.

Analytical approach: Standalone
Applicable Criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Auto Ancillary Companies
Manufacturing Companies

About the Company
Jay Ushin Ltd. (JUL) was incorporated in 1986, promoted by Mr. J. P. Minda, chairman of JPM group. It is a joint venture between JPM group and Ushin Ltd. Japan to carry out the business of auto components manufacturing. The company is engaged into manufacturing of door latches, combination switches, locks and key sets and heater control panels. The JPM group is into manufacturing of auto components for both two and four wheelers.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (P)
Total operating income	671.59	588.24	314.99
PBILDT	34.35	32.17	19.89
PAT	2.64	-4.00	4.69
Overall gearing (times)	2.17	2.18	1.62
Interest coverage (times)	2.21	2.35	3.82

A: Audited, P: Provisional

Status of non-cooperation with previous CRA: CRISIL vide PR dated May 31, 2021.

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March, 2026	32.87	CARE BB+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	60.50	CARE BB+; Stable / CARE A4+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	32.87	CARE BB+; Stable	-	1)CARE BB+; Stable (15-Jan-21) 2)CARE BB+; Stable (04-May-20)	-	-
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	60.50	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (15-Jan-21) 2)CARE BB+; Stable / CARE A4+ (04-May-20)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please [click here]

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:
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