

## Rating Rationale

August 17, 2023 | Mumbai

### Jay Ushin Limited

Ratings migrated to 'CRISIL BBB-/Stable/CRISIL A3'

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.125 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BBB-/Stable (Migrated from 'CRISIL B/Stable ISSUER NOT COOPERATING*')</b>
<b>Short Term Rating</b>	<b>CRISIL A3 (Migrated from 'CRISIL A4 ISSUER NOT COOPERATING*')</b>

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

\*Issuer did not cooperate; based on best-available information

#### Detailed Rationale

Due to inadequate information and in line with the Securities and Exchange Board of India (SEBI) guidelines, CRISIL Ratings had migrated its ratings on the bank facilities of Jay Ushin Limited (JUL) to 'CRISIL B/Stable/CRISIL A4 Issuer Not Cooperating'. However, the company's management has subsequently started sharing the information necessary for carrying out a comprehensive review of the ratings. Consequently, CRISIL Ratings is migrating its ratings on the bank facilities of JUL to '**CRISIL BBB-/Stable/CRISIL A3**' from 'CRISIL B/Stable/CRISIL A4 Issuer Not Cooperating'

The rating reflects the established market position of the company in the auto component industry backed by a strong clientele. The revenue of the company in FY23 improved to Rs. 734 cr. from Rs. 654 cr. which is due to improved sales volumes driven by strong demand in the auto mobile industry. In Q1FY4 the company has achieved revenue of Rs.162 crores and for the full year FY24 the company is expected to report revenue growth of 10-12% supported by strong order book in hand along with continued growth expected in the automobile sector. Margins of the company has remained at more than 4.03% in FY23 because of stable growth in the operating revenue and also due to the escalation clause due to which any increase in the raw material price or any forex loss is passed on to the customers with a lag of quarter. The margins are expected to be in the range of 4-5% going forward due to the nature of business and long-standing relationships with the clients.

The ratings continue to reflect JUL's established market position in the automotive components (auto) industry, a reputed clientele. These strengths are partially offset by Moderate financial risk profile and Capex oriented nature of business.

#### Key Rating Drivers & Detailed Description

##### Strengths:

- **Established market position in the auto components industry:** The promoters' experience of over three decades, healthy relationships with customers and suppliers, and a diversified product profile should continue to support the business. JUL supplies to 4-wheeler (4W) and 2-wheeler (2W) OEM'S. Out of the total sales 70-75% sales of 4-W and the balance sales of 20-25% is from 2-W segment. Almost 98-99% of the sales in into the domestic market and 1-2% is in exports which is to Suzuki Japan for which the JV partner Ushin Limited is the supplier. Revenue has grown steadily year-on-year on account of JUL's presence in the two-wheeler, four-wheeler. Growth in the automobile sector is expected in the range 10-12% in FY24 which in turn is expected to improve the sales of JUL which is having long standing and strong relationship with OEM and is also expected to grow at a stable pace of over 10% in the medium term.
- **Reputed clientele:** Customers comprise some of India's largest original equipment manufacturers (OEM's) such as Maruti Suzuki India Ltd (MSIL; CRISIL AAA/Stable/CRISIL A1+), 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. JUL has established market with Tier-1 supplier to 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 provide healthy revenue visibility over the medium term.

##### Weaknesses:

- **Low profitability:** Operating margin has remained at 3-4% in the three fiscals through 2023. The profitability remained low because JUL has its sales to OEM 's directly and has no aftermarket sales due to which the margins remain low in this business and product manufactured by the company such as lock and key sets are of the nature in which there is

huge competition and the nature long life nature of the product. 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 few fiscals. Susceptibility to cyclical in the automobile industry persists.

- **Moderate financial risk profile:** Overall gearing and total outside liabilities to adjusted network (TOLANW) ratio remained weak at ~1.2 times and 2.9 times, respectively as on March 31, 2023, due to sizeable debt-funded capital expenditure (capex) undertaken in the past. However, gearing is improving on account of accretion of profits to network and repayment of term loan. Interest coverage and net cash accrual to total debt ratios were 3.9 times and 0.25 time, respectively, for fiscal 2023. In the absence of any debt-funded capex, financial risk profile is expected to improve over the medium term. Any large, debt-funded expansion will, however, remain a key monitorable.

**Liquidity: Adequate**

Bank limit utilisation is moderate at around 72 percent for the past twelve months ended June 2023. Cash accruals are expected to be over Rs.25-35 cr. which are sufficient against term debt obligation of Rs.15-20 cr. over the medium term. In addition, it will be act as cushion to the liquidity of the company.

**Outlook: Stable**

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

**Rating Sensitivity factors**

**Upward Factors:**

- Sustained improvement in revenue and profitability, with cushion in net cash accrual against repayment obligation of over 2.5x
- Improvement in financial risk profile with gearing remaining below 1 time on sustained basis.

**Downward Factors:**

- Decline in revenue or fall in operating margin below 2.5%, leading to decline cash accrual.
- Deterioration in TOLANW ratio further weakening financial risk profile.
- Large, debt-funded capex adversely affecting capital structure.

**About the Company**

Incorporated in 1986, JUL is a JV between the JPM group (owned by Mr J P Minda and his son, Mr Ashwani Minda) and U-Shin Ltd, Japan. It manufactures auto 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, Jharsa (Haryana) and Bhiwadi (Rajasthan). The company is listed on the Bombay Stock Exchange.

**Key Financial Indicators\***

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	734.47	654.34
Reported profit after tax (PAT)	Rs crore	11.71	11.94
PAT margin	%	1.59	1.82
Adjusted debt/adjusted network	Times	1.16	1.44
Interest coverage	Times	3.9	3.5

\*CRISIL adjusted number

**Status of non cooperation with previous CRA:**

JUL has not co-operated with Brickwork Ratings India Private Limited which has classified it as Issuer Non Cooperative vide release dated 20<sup>th</sup> February 2023. The reason provided by Brickwork Ratings India Private Limited is non-furnishing of information for monitoring of ratings.

**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](http://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	Term loan	NA	NA	Mar-25	35.1	NA	CRISIL BBB-/Stable
NA	Working Capital Facility	NA	NA	NA	4.9	NA	CRISIL BBB-/Stable
NA	Purchase Bill Discounting	NA	NA	NA	55	NA	CRISIL A3
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	30	NA	CRISIL BBB-/Stable

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

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund Based Facilities</b>	LT/ST	125.0	CRISIL BBB-/Stable / CRISIL A3		--	30-07-22	CRISIL A4 / CRISIL B /Stable(Issuer Not Cooperating)*	31-05-21	CRISIL BB /Stable / CRISIL A4+ (Issuer Not Cooperating)*	01-09-20	CRISIL BB/Stable / CRISIL A4+	CRISIL BB+/Stable / CRISIL A4+
			--		--		--		--	09-06-20	CRISIL A4+/Watch Developing / CRISIL BB/Watch Developing	--
			--		--		--		--	30-04-20	CRISIL BB/Stable / CRISIL A4+	--

All amounts are in Rs.Cr.

\* - Issuer did not cooperate; based on best-available information

#### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
<b>Proposed Fund-Based Bank Limits</b>	<b>30</b>	<b>CRISIL BBB-/Stable</b>
<b>Purchase Bill Discounting</b>	<b>55</b>	<b>CRISIL A3</b>
<b>Term Loan</b>	<b>10.1</b>	<b>CRISIL BBB-/Stable</b>
<b>Term Loan</b>	<b>25</b>	<b>CRISIL BBB-/Stable</b>
<b>Working Capital Facility</b>	<b>4.9</b>	<b>CRISIL BBB-/Stable</b>

#### Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Rating Criteria for Auto Component Suppliers</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

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