

Jayem Automotives Private Limited

January 11, 2022

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	-		

Details of instruments/facilities in Annexure

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reviewed the rating assigned to the bank facilities of Jayem Automotives Private Limited (JAPL) to 'CARE B+; Stable Issuer Not Cooperating' for long term facilities and 'CARE A4 Issuer Not Cooperating' for short term facilities and has simultaneously withdrawn it, with immediate effect. The rating withdrawal is at the request of Jayem Automotives Private Limited and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers

The ratings assigned to bank facilities of JAPL factors in growth in total operating income in FY21 (Prov). The rating continues to be tempered by modest scale of operations and cyclical nature of automobile industry largely driven by technological upgradation. The rating continues to derive benefits from experience of promoters in the industry, well established and long standing business association with various other Original Equipment Manufacturers (OEMs), presence of multiple revenue streams with special focus on engineering services, strong in-house design, research and development capabilities and comfortable profitability margins.

Key Rating Weaknesses:

Decline in operating income

Total operating income has dropped from Rs. 72.07 Crore in FY21 viz a viz Rs. 96.16 Crore in FY20 reporting 25% degrowth.

Cyclical Nature of Automobile Industry largely driven by technological upgradation

The auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the interest rates, fuel prices and requirement to meet the stringent emission control norms. The emergence of hybrid and electric vehicles, connected and autonomous cars, digital technologies as well as increasingly stringent emission and safety regulations are driving global R&D activity and vehicle manufacturers are looking to stay ahead of the curve by investing in new technologies and coming up with innovations.

Liquidity : Stretched

Liquidity position marked by its operating cycle remained stretched at 306 days in FY21 as against 171 days in FY20 owing to high inventory holding period of 286 days, collection period of 168 days and creditor's period of 147 days in FY21 (Prov). Cash and bank balances as on March 31, 2021 (Prov.) stood at Rs. 0.24 Crore as against Rs. 0.28 Crore in FY20.

Key Rating Strengths:

Experience of the promoters in the industry:

The company is managed by Mr. B. Jayachandran & his son, Mr, J. Anand. Mr. B. Jayachandran, Chairman of the company is engaged in the field of automobile for more than 20 years. Trained in Germany, he provides able guidance to the company's business, R&D and manufacturing team.

Well established and long standing business association with OEMs

JAPL in its initial years was involved in development of new vehicles and engines to Mahindra & Mahindra (M&M). Later in 2005, the company started partnering with Tata Motors Limited where it supported various testing and new vehicle development initiatives of Tata motors. In addition to TML, the company has also undertaken design, development and manufacture of vehicles for Defense, vehicle & engine testing for companies like FORD, Mercedes and casting and foundry components for other automobile companies.

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

Multiple Revenue Stream & Comfortable Profit Margins

The company's revenue profile mainly consists of income from Engine & Endurance Testing, Vehicle Testing, Sale of Components and Specific Project Income with engine testing and endurance testing being the key income generators for the company. Operating margins improved from 16.47% in FY20 to 23.62% in FY21. Net profit margin also has improved in line with increase in operating profits on absolute basis and stood at 6.31% in FY21 from 4.22% in FY20.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

Jayem Automotives (P) Ltd (JAPL), was incorporated in 1999 by Mr. B. Jayachandran, as an independent automotive R&D company involved in design, development, testing of automobile engine & their parts and manufacturing of a wide range of automotive components, systems and prototypes. JAPL caters to the requirements in the automobile segment spread across two wheelers, passenger cars, construction & agri-equipments, commercial & off highway vehicles and race cars.

Brief Financials (Rs.crore)	FY19 (A)	FY20 (A)	FY21 (P)	H1FY22
Total operating income	106.17	96.16	72.07	NA
PBILDT	18.42	15.84	17.02	NA
PAT	6.49	4.05	4.54	NA
Overall gearing (times)	2.69	0.93	1.04	NA
Interest coverage (times)	3.18	2.44	3.31	NA

A: Audited, P : Provisional, NA – Not Available

Status of non-cooperation with previous CRA: Nil

Any other information: NA

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-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Proposed non fund based limits		-	-	-	0.00	Withdrawn

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- Cash Credit	LT	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATI NG* (18-Nov-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATI NG* (03-Nov-20)	1)CARE BB; Stable; ISSUER NOT COOPERATI NG* (03-Feb-20) 2)CARE BBB+; Stable; ISSUER NOT COOPERATI NG* (01-Apr-19)	1)CARE BBB+; Stable (26-Apr-18) 2)CARE BBB+; Stable (18-Apr-18)
2	Fund-based - LT- Term Loan	LT	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATI NG* (18-Nov-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATI NG* (03-Nov-20)	1)CARE BB; Stable; ISSUER NOT COOPERATI NG* (03-Feb-20) 2)CARE BBB+; Stable; ISSUER NOT COOPERATI NG* (01-Apr-19)	1)CARE BBB+; Stable (26-Apr-18) 2)CARE BBB+; Stable (18-Apr-18)
3	Non-fund-based - ST-Bank Guarantees	ST	-	-	1)CARE A4; ISSUER NOT COOPERATI NG* (18-Nov-21)	1)CARE A4; ISSUER NOT COOPERATI NG* (03-Nov-20)	1)CARE A4; ISSUER NOT COOPERATI NG* (03-Feb-20) 2)CARE A2; ISSUER NOT COOPERATI NG* (01-Apr-19)	1)CARE A2 (26-Apr-18)
4	Non-fund-based - ST-Proposed non fund based limits	ST	-	-	1)CARE A4; ISSUER NOT COOPERATI NG* (18-Nov-21)	1)CARE A4; ISSUER NOT COOPERATI NG* (03-Nov-20)	1)CARE A4; ISSUER NOT COOPERATI NG* (03-Feb-20) 2)CARE A2; ISSUER NOT COOPERATI NG* (01-Apr-19)	1)CARE A2 (26-Apr-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- : NA

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantees	Simple
4	Non-fund-based - ST-Proposed non fund based limits	Simple

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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