

JMW India Private Limited

October 14, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	90.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Total Bank Facilities	90.00 (₹ Ninety Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of JMW India Private Limited (JMW) derives strength from its experienced promoters with long track record of operations and diversified product portfolio with range of products including copper rods, copper strips, paper covered copper strip and copper cables. The ratings also take comfort from the diversified customer base including supply to government authorities and average financial risk profile characterised by sustained growth in scale of operations with a CAGR of ~27% since last 5 fiscals ending FY22 (refers to the period April 01 to March 31) and improved debt coverage indicators. These rating strengths are, however, partially offset by thin profitability margins of the company due to low value addition, highly fragmented and competitive nature of the industry, raw material price volatility risk and working capital intensive nature of operations.

Rating sensitivities

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

- Sustenance of total operating income while improving PBILDT margins above 3.00% on a sustained basis.
- Improvement in overall gearing to below 1.00x on a sustained basis.
- Ability of the company to effectively manage working capital requirements, thereby reducing reliance on external borrowings leading to improvement in overall liquidity position

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

- Decline in PBILDT margin below 2.00% on a sustained basis.
- Any higher than envisaged debt funded capex/ acquisition resulting in increase in overall gearing above 1.50x.
- Significant increase in working capital requirements and resultant weakening of liquidity position.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters with long track record of operations

JMW is promoted by Mr Sushil Kumar Jain, who has an experience of more than 40 years in the industry. The company is currently managed by his elder son Mr Manoj Kumar Jain who has a shareholding of ~73% and an experience of ~17 years. He looks after the overall operations of the business. Mr Ashish Jain (younger son of Mr Sushil Kumar Jain), MBA, is responsible for handling the Wires and Cables unit and has an experience of 11 years. Further, they are ably supported by other experienced staff members.

Diversified Product Portfolio

JMW is majorly involved in manufacturing of copper products. The company has diversified product portfolio with range of products including copper rods, copper strips, paper covered copper strip and copper cables. The application of these products is widely spread over electrical and electrical equipment. Copper wire rods, the major contributor of Total Operating Income (TOI) is sold majorly to cable manufacturers. Second major contributor to TOI is copper strips which is a heavy power supply strip used in industrial transformers while the copper cables are sold to railways.

Diversified and reputed customer base including supply to government authorities

The wide variety of product profile of JMW has led to a diversified customer base. The top 5 customers of the company contributed ~43% to total income in FY22 while the top customer contributed 17.8%. Further, the customer base of the company is reputed comprising of Indian Railways, Auto Ignition Ltd, HPL Electric & Power Ltd and Shera Energy Pvt Ltd among others. The diversified customer base helps JMW to minimise risk of volatile sales and profits in case of decline in performance of any customer.

Average financial risk profile characterized by sustained growth in scale of operations

The company has an average financial risk profile characterised by sustained growth in scale of operations since last 5 fiscals ending FY22, with a CAGR of ~27%. The TOI of the company increased from Rs. 767.84 crore in FY21 to Rs. 999.03 crore in FY22 (Prov.) exhibiting an y-o-y growth of 30%. The increase in TOI has been mainly on account of improved sales realisations.

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

Key rating weaknesses

Thin profitability margins due to low value addition

The profitability of the company has been stable in last 4 fiscals although low on account of low value addition in the final product. The company purchases copper scrap and processes it into copper rods and sells it to cable manufacturers. The PBILDT margin for FY22(Prov) stood at 2.31% slightly moderated from 2.47% for FY21. The major component of the TOI is copper rods which has lower profitability margins; however, the company is focusing to increase its revenue from copper strips and copper cables which has better profitability margins.

Susceptible to volatility in key raw material prices

JMW is primarily engaged in processing of copper scrap into copper wire rods. The major raw material used for the same is copper scrap, being a commodity, traded globally on exchanges. Hence, its prices are market driven and face volatility. However, JMW does a natural hedge by purchasing the same quantity of copper as sold on the same day.

Fragmented and competitive nature of industry

The industry for metal products is highly fragmented with large number of local unorganized and organized players in the market. Copper is part of metal industry which is cyclical in nature and is sensitive to the shifting business cycles including changes in the general economy, interest rates and seasonal changes in the demand and supply. The producers of metal construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the metal prices. Hence, the margins continue to remain under pressure due to fragmentation and low bargaining power across the industry.

Working capital intensive nature of operations leading to high reliance on working capital borrowings

During FY22, the company had an operating cycle of 35 days as against 34 days in preceding financial year. The company maintains an inventory of around 30 days since the company has a diversified product portfolio and to meet the customer requirements in a timely manner, sufficient level of inventory is required. The company offers a credit period of around 45-60 days to some of its reputed customers and takes advance payment from few customers thereby resulting in an average collection period of 19 days during FY22. Owing to the working capital-intensive nature of operations, the average utilisation of fund based working capital limits also stood moderate at ~84% for the trailing 12 months ending April 2022. Further the overall gearing of the company stood moderate at 1.23x as on March 31, 2022 (Prov) as against 1.10x as on March 31, 2021, due to higher working capital utilisation and GECL loans availed by the company.

Liquidity: Adequate

The liquidity of the company is adequate marked by projected cash accruals of ~Rs 18 crores in FY23 as against the debt repayment of Rs.3.43 crore. The current ratio stands comfortable at 1.30x as on March 31, 2022 (PY:1.37x). The average collection period of the company stood at 19 days for FY22 as against which the company has average creditors period of 11 days. The working capital requirements are largely met through bank borrowings, the average utilisation of which stood at ~84% for last 12 months ending April 2022.

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](#)

[Manufacturing Companies](#)

[Non Ferrous Metals](#)

About the company

JMW India Private Limited (JMW) was incorporated in November 1997 by Mr Sushil Kumar Jain and Mr Ram Kumar Jain as a trading company. The company started as a trader of copper and later in 2006 set up a manufacturing facility for copper rods at Jammu. In 2012 another plant was set-up at Bhiwadi for manufacturing copper strips and cables. The company is currently involved in manufacturing of copper products, mainly copper rods, copper strips and copper cables with an installed capacity of 30,000 MT at Bhiwadi plant as Jammu plant has been closed. The Jammu plant was decided to be closed after the covid outbreak in the country to rationalise cost as the same capacity has been transferred to the Bhiwadi plant.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (Prov.)	Q1FY23 (Prov.)
Total operating income	767.84	999.03	316.30
PBILDT	18.96	23.08	9.81
PAT	6.54	10.26	NA
Overall gearing (times)	1.10	1.23	NA
Interest coverage (times)	3.47	3.95	NA

A: Audited, Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	80.71	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	-	28/02/2026	9.29	CARE BBB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	9.29	CARE BBB; Stable	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	80.71	CARE BBB; Stable	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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 instruments: CARE Ratings 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.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Puneet Kansal
Phone: +91-11-4533 3225
E-mail: puneet.kansal@careedge.in

Relationship contact

Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

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