

Jay Ace Technologies Limited

March 16, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	26.04 (Reduced from 33.04)	CARE D (Single D)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Short Term Bank Facilities	10.00	CARE D (Single D)	Revised from CARE A4+ (A Four Plus)
Total Bank Facilities	36.04 (Rs. Thirty-Six Crore and Four Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Jay Ace Technologies Limited (JATL) is on account of delay in repayment of term loan instalment in the month of February (2022) owing to delay in customer collections. Further, the ratings continue to be constrained by stretched liquidity position of the company, susceptibility of margins to volatility in raw material prices, elongation in operating cycle, claims raised by an overseas customer to the tune of ~Rs.30.00 crore for which legal proceedings have started and competition from various unorganized players. However, the ratings continue to derive strength from experience of the promoters, diversified customer base, moderate financial risk profile and improved profitability margins.

Rating Sensitivities

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

- Improvement in the liquidity position of the company.
- Improvement in the operational performance of the company.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delay in servicing of term loan instalment: There was a delay of 15 days in servicing of term loan instalment in the month of February, 2022 due to delay in customer collections.

Elongation of operating cycle: The operating cycle of the cycle of the company elongated to 246 days in FY21 (refers to the period from April 01 to March 31) from 146 days the previous year. The elongation was mainly on account of increased average inventory holding and collection period. The average inventory holding period increased from 106 days in FY20 to 233 days in FY21. The average collection period also deteriorated from 102 days in FY20 to 140 days in FY21. The average creditor period increased from 62 days in FY20 to 127 days in FY21.

Claims raised against the company: An overseas customer has raised claims amounting to ~Rs.30 Cr against the company pertaining to products supplied by JATL. The company has submitted its reply and legal proceedings are underway.

Exposure to volatility in the raw material prices: The major raw material i.e. lead is procured from various local suppliers. Price of lead procured from the suppliers move in line with the global price movements. Absence of any long-term contracts exposes the company to volatilities in the commodity price cycle. While the company is able to pass on moderate hike in prices to end customers, any sharp volatility in the raw material prices can adversely impact its profitability.

Competition from various unorganized and organized players: JATL operates in highly competitive environment consisting of a large number of unorganized players, on account of low entry barriers and low capital requirement to set up operations of manufacturing lead acid battery components. Furthermore, the company has competition from other established players as well which have strong brand presence and marketing network.

Key Rating Strengths

Experience of promoter: Jay Ace Technologies Ltd is a part of the JPM Group, which has extensive presence in automobile components and is supplier to automobile OEMs. In 1959, Mr. J.P. Minda started with manufacturing of locksets and switches unit for automobiles. Mr. Jaideo Prasad Minda, is B.E. (Electrical) from BITS, Pilani. He has more than five decades of experience in manufacturing and marketing of automobile components. Mr. Ashwani Minda, is the younger son of Mr. J.P. Minda. He is B.Tech from IIT Delhi and has more than 30 years years of experience in the manufacturing and marketing of automotive components.

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

Reduction in customer concentration: JATL manufactures various kinds of automotive batteries, inverter Batteries and UPS etc. The customer base of the company is well diversified in terms of concentration with top 10 customers only accounting for ~28% of the total sales in FY21 (PY: ~20%).

Decline in total income albeit improvement in margins: The total operating income of the company declined by 46.33% to Rs.63.67 crore in FY21 (PY: Rs.118.63 crore) due to subdued performance during H1FY21 on account of nation-wide lockdown due to covid-19. The PBILDT margin of the company improved substantially from 14.62% in FY20 to 20.96% in FY21 on account of efficient manufacturing processes and change in product mix. However, despite substantial increase in the PBILDT margin, the PAT margin of the company increased marginally to 1.55% in FY21 (PY: 1.32%) on account of increase in interest cost as a percentage of total operating income due to substantial decline in scale of operations in FY21. During 9MFY22, the company has reported total operating income of Rs.37.64 crore (PY: Rs.38.25 crore).

Moderate capital structure and coverage indicators: The overall gearing of the company improved marginally to 0.52x as on March 31, 2021 (PY: 0.61x) on account of repayment of term loan and accretion of profits to net-worth. Debt coverage indicators also remained comfortable as reflected by PBILDT interest coverage ratio of 3.15x (PY: 3.70) and total debt/GCA of 3.47x (PY: 2.90x) in FY21.

Liquidity: Poor – The liquidity profile of the company remained stretched as reflected by delay in repayment of term loan instalment in the month of February, 2022 on account of delay in customer collections. The current ratio of the company also remained low at 0.81x as on March 31, 2021 (PY: 0.74x). The company is planning to incur a capex of Rs.2.50 crore in FY22 pertaining to regular maintenance of plant and machinery which shall be funded through internal accruals. The improvement in the operational cash flows to boost liquidity shall remain a key credit monitorable.

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 Ace Technologies Ltd. is promoted by the JPM group and was incorporated on July 29, 2009, to carry on the business of power, energy, power batteries etc. The company is in the manufacturing of various kinds of automotive batteries, Inverter Batteries and UPS batteries. The company is distributing its lead acid batteries through dealer network and through institutional sales under brand name "ACE". JATL has its manufacturing plant at Bhagwanpur Industrial area, Roorkee.

Brief Financials (Rs. crore)	FY20(A)	FY21 (A)	9MFY22 (P)
Total operating income	118.63	63.67	37.64
PBILDT	17.34	13.34	7.84
PAT	1.57	0.99	0.35
Overall gearing (times)	0.61	0.52	0.45
Interest coverage (times)	3.70	3.15	3.11

A: Audited, P: Provisional

Status of non-cooperation with previous CRA: Not applicable

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-Cash Credit		-	-	-	19.19	CARE D
Fund-based - LT-Term Loan		-	-	April, 2024	6.85	CARE D
Non-fund-based - ST-BG/LC		-	-	-	10.00	CARE D

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	19.19	CARE D	-	1)CARE BB+; Stable (30-Mar-21) 2)CARE BBB-; Negative (03-Apr-20)	-	1)CARE BBB-; Negative (27-Feb-19) 2)CARE BBB-; Stable (27-Jun-18)
2	Fund-based - LT-Term Loan	LT	6.85	CARE D	-	1)CARE BB+; Stable (30-Mar-21) 2)CARE BBB-; Negative (03-Apr-20)	-	1)CARE BBB-; Negative (27-Feb-19) 2)CARE BBB-; Stable (27-Jun-18)
3	Non-fund-based - ST-BG/LC	ST	10.00	CARE D	-	1)CARE A4+ (30-Mar-21) 2)CARE A3 (03-Apr-20)	-	1)CARE A3 (27-Feb-19) 2)CARE A3 (27-Jun-18)

* 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this CompanyTo 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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