

Jay Ushin Limited

October 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable / CARE A4+ and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable/CARE A4+' [Double B Plus; Outlook: Stable/ A Four Plus] assigned to the bank facilities of Jay Ushin Limited (JUL) with immediate effect. The above action has been taken at the request of JUL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

Analytical approach: Standalone

Detailed description of the key rating drivers:

Key weaknesses

Low Profitability margins: The total operating income of the company grew by ~12% to Rs.734.47 crore in FY23 (refers to the period from April 01, 2022 to March 31, 2023) (PY: Rs.656.67 crore) due to improved sales volume driven by strong demand in the automobile industry. Majority of the company's sales are to OEM's (Original Equipment Manufacturer) and has no aftermarket sales due to which the margins remain low in the business. Consequently, the profitability margin of the company continued to remain low as reflected by PBILDT and PAT margin of 4.39% (PY: 4.78%) and 1.81% (PY: 1.82%) in FY23 respectively. During Q1Y24 (refers to the period from April 01, 2023 to June 30, 2023), the total operating income of the company declined by ~13% to Rs.162.29 crore (PY: Rs.187.41 crore).

Moderate financial risk profile marked by moderate overall gearing: The overall gearing of the company although high, improved to 1.26x as on March 31, 2023 (PY: 1.55x) primarily on account of accretion of profits to net-worth. Due to slight increase in scale of operations debt coverage indicators of the company although moderate improved as reflected by PBILDT interest coverage 2.32x (PY: 2.15x) and total debt/GCA of 3.98x (PY: 4.54x) in FY23.

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.10.00 crore to Rs.15.00 crore every year. In FY22 (refers to the period from April 01, 2021 to March 31, 2022), JUL spent ~Rs.20.00 crore towards capital expenditure which was partially funded by internal accruals and partially from bank debt.

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 ~85% of total production cost in FY23 (PY: ~83%). 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 strengths

Experienced promoters with long track record of operations: JUL was promoted in 1986 by Late, Mr. J. P. Minda along with his son Mr. Ashwani Minda (Managing Director) to manufacture automotive components. The company is part of automotive ancillary conglomerate JPM Group. Mr. Ashwani is B. Tech from IIT, Delhi with an experience of 34 years in the industry and looks after the overall operations of the company.

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% towards total revenue of the company during FY22 (PY: ~85%). The strong tie-ups benefit the company in terms of assured demand from the clients.

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

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.

Applicable criteria

[Policy on Withdrawal of Ratings](#)

[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 and industry

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.

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	Q1FY24 (UA)
Total operating income	656.67	734.47	162.29
PBILDT	31.39	32.23	5.70
PAT	11.94	13.30	2.71
Overall gearing (times)	1.58	1.26	
Interest coverage (times)	2.15	2.32	1.69

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork vide P.R. dated February 20, 2023.

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: Annexure-4

Lender details: Annexure-5

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-Term Loan		-	-	June, 2027	0.00	Withdrawn
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	0.00	Withdrawn

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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable (25-Aug-22)	1)CARE BB+; Stable (02-Feb-22)	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*	-	-	-	1)CARE BB+; Stable / CARE A4+ (25-Aug-22)	1)CARE BB+; Stable / CARE A4+ (02-Feb-22)	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 instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the 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.

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About us:

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