Jay Ushin Limited

August 25, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	43.00 (Enhanced from 32.87)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	57.00 (Reduced from 60.50)	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable/ A Four Plus)	Reaffirmed
Total Bank Facilities	**100.00 (₹ One Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Jay Ushin Limited (JUL) factors in moderate financial risk profile marked by moderate debt coverage indicators along with low profitability margins, operations necessitating regular capex and susceptibility to volatility in raw material prices. However, the ratings derive comfort from extensive experience of promoters, improvement in operating performance during FY22 (refers to the period from April 01 to March 31) driven by revival in demand in the automobile industry, long track record of operations and reputed clientele. The ratings also factor in technical assistance JUL receives from Ushin Limited and established market position of the company by virtue of being part of JPM group.

Rating sensitivities

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

- Significant improvement in the cash accruals above Rs. 30.00 crore on sustained basis.
- Improvement in capital structure with gearing lower than 1.30x.

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

- Cash accruals lower than Rs. 26.00 crore leading to weak liquidity.
- Deterioration in the capital structure of the company with overall gearing above 2.00x

Detailed description of the key rating drivers

Key rating weaknesses

Low Profitability margins: The total operating income of the company grew by 13.49% to Rs.654.34 crore (PY: Rs.576.58 crore) in FY22 primarily on account of subdued performance during FY21 due to sluggish demand in the automobile industry and subsequent outbreak of covid-19 pandemic. The PBILDT margin of the company although improved to 4.45% in FY22 (PY: 3.56%), continued to remain low. Further, the company reported PAT margin of 1.82% in FY22 (PY: net loss) due to the slight improvement in the PBILDT margin. Further, during Q1FY23 (refers to the period from April 01 to June 30), the total operating income of the company has grown by ~40% to Rs.186.77 crore (PY: Rs.133.45 crore) on account of lower demand marred by lockdown restrictions triggered by the second wave of the Covid-19 pandemic in Q1FY22. However, the profitability margins of the company continued to remain low as reflected by PBILDT margin of 4.41% (PY: 4.86%) and PAT margin of 2.02% (PY: 1.12%) in Q1FY23.

Moderate financial risk profile marked by moderate overall gearing: The overall gearing of the company although high, improved to 1.49x as on March 31, 2022 (PY: 2.18x) primarily on account of accretion of profits to net-worth and repayment of term loan. The debt profile of the company as on March 31, 2022 comprised of term loans to the tune of Rs.50.45 crore (~43% of total debt), lease liability to the tune of Rs.15.87 crore (~13% of total debt), working capital borrowings outstanding to the tune of Rs.50.11 crore (~42% of total debt). Due to slight increase in scale of operations and profitability margins, debt coverage indicators of the company although moderate improved as reflected by PBILDT interest coverage 2.36x (PY: 1.50x) and total debt/GCA of 4.22x (PY: 8.34x) in FY22.

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, 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 FY22 (PY: ~84%).

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

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 rating strengths

Experienced promoters with long track record of operations: JUL was promoted in 1986 by Mr. J. P. Minda along with his son Mr. Ashwani Minda to manufacture automotive components. The company is part of automotive ancillary conglomerate JPM Group. Mr. J. P. Minda is B. E. (Electrical) BITS, Pilani and holds 61 years of experience in automotive components industry. Mr. Ashwani is B. Tech from IIT, Delhi with an experience of 34 years in the industry.

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.

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.

Industry Prospects: The commercial vehicle segment is expected to benefit from the economic revival as well as continued high infrastructure spending. A decent monsoon and improved rural liquidity will drive the demand in the two-wheeler segment. Growth in passenger vehicles segment sales shall be driven by strong growth in the Urban vehicles sub-segment by multiple new launches and a strong booking pipeline across OEMs. The upcoming festival season will support the overall auto demand too. However, continued high rates of inflation coupled with increasing interest rates in the economy can potentially dampen consumer sentiments on account of the increased cost of ownership. Also, commodity prices, which continue to be high despite the recent softening, will likely exert pressure on OEM's operating profit margins.

Liquidity: Adequate: The liquidity position of the company remains adequate as reflected by scheduled debt repayments of Rs.26.87 crore in FY23 against projected gross cash accruals of Rs.31.62 crore. Further, the average utilization of working capital borrowings stood ~70%-80% for the trailing 12 months ended July, 2022. The company is scheduled to incur regular maintenance capex of Rs.15.00 crore in FY23 which shall be funded through term loan of Rs.10.00 crore and remaining through internal accruals. The company is projected to avail a total of Rs.25.00 crore of term loan in FY23 (Rs.10.00 crore to be used to fund capex of FY23 and remaining Rs.15.00 crore as reimbursement of capex to the tune of ~Rs.20.00 crore incurred in FY22).

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
Policy on Withdrawal of Ratings

About the company

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.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (P)
Total operating income	576.58	654.34	186.77
PBILDT	20.51	29.10	8.24
PAT	-4.00	11.94	3.77
Overall gearing (times)	2.17	1.55	1.35
Interest coverage (times)	1.50	2.36	3.17

A: Audited, P: Provisional

Status of non-cooperation with previous CRA: CRISIL vide PR dated July 30, 2022

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	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	June, 2027	43.00	CARE BB+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	57.00	CARE BB+; Stable / CARE A4+

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	43.00	CARE BB+; Stable	-	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*	57.00	CARE BB+; Stable / CARE A4+	-	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 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-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	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.

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