

J. K. Fenner (India) Limited

December 31, 2020

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE AA-; Stable (Double A Minus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A1+ (A One Plus) and Withdrawn
Total Bank Facilities	-		

Detailed Rationale and Key Rating Drivers

CARE has reaffirmed the rating assigned to the bank facilities of J.K. Fenner (India) Limited [JKFL] to 'CARE AA-; Stable/ CARE A1+' and has simultaneously withdrawn it, with immediate effect.

The reaffirmation of rating takes into account strength from the parentage with the company being a part of the JK group, its experienced and professional management team, well-established and strong domestic distribution network across multiple product lines catering to both industrial and automobile segments, and comfortable capital structure.

The ratings were, however, constrained by JKFL's exposure to its group companies and susceptibility of its operational performance to cyclicity in the automotive and industrial segments.

The rating withdrawal is at the request of JKFL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

Detailed description of the key rating drivers**Key Rating Strengths****Part of JK group with an experienced and professional team**

The company has been in existence for almost nine decades carrying forward the legacy of 'Fenner' in India. The company is presently controlled by the JK group which was found in 1918. JK group, a multinational group engaged in the core sectors of cement, paper, automotive tyre, sugar, agri-products, etc., and has its foot print in various countries across the globe under the leadership of Mr Bharat Hari Singhania, President of the J.K. Organization. The company is headed by Dr Raghupati Singhania, Chairman and Mr Vikrampati Singhania, Managing Director. The day-to-day operations are managed by a professional management team headed by Mr Nagaraju Srirama, President and Director, who has over three decades of industry experience.

Well-established distribution network across multiple product lines catering to automotive and industrial space

JKFIL enjoys a leading market position in the domestic aftermarket V Belt segment. Furthermore, the presence of the company in different segments occupying a significant share mitigates the risk from slowdown in any of the segments.

JKFIL has developed a strong distribution network across the country over the years. The major income generating product, viz., V Belts find application in both the industrial and auto segments, primarily in the replacement market, while the oil seals predominantly find application in the auto original equipment segment with very minuscule presence in the industrial segment.

Comfortable leverage and debt coverage indicators

The company's capital structure and debt coverage metrics continue to remain comfortable aided by healthy cash accruals. The debt equity ratio and overall gearing stood at 0.40x and 0.52x, respectively, as on March 31, 2020, as compared with 0.40x and 0.50x as on March 31, 2019. The total debt to gross cash accrual and interest coverage ratio stood at 3.23 years and 6.67x in FY20.

Key Rating Weaknesses**Exposure to group entities**

JKFIL's total exposure to group companies was around Rs.395 crore as on March 31, 2020, as against a tangible net worth of around Rs.619 crore as of even date. The major exposure is towards Bengal & Assam Company in the form of unsecured loans to the extent of Rs.195 crore as on March 31, 2020.

Susceptibility of profit margins to cyclicity inherent in the automotive and industrial segments: The automotive and industrial sectors are cyclical in nature as they derive their demand from the investments and spending by the Government and individuals. The company's performance is hence susceptible to the cyclicity in the automotive and industrial segments.

Impact of Covid-19

JKFL's total operating income moderated to Rs.792.72 crore in FY20 (PY: 846.48 crore) partly due to slowdown in the automotive industry and also due to impact of Covid towards the end of FY20. Furthermore, Covid related disruptions has moderated the sales resulting in total operating income of Rs.315 crore for the period H1FY21.

Liquidity - Strong

Liquidity is marked by strong cash balance of Rs. 40.81 crore (including a fixed deposit of Rs.24.50 crore) as on March 31, 2020 against repayment obligations of Rs.27.91 crore in FY21. With a gearing of 0.50 times as of March 31, 2020, the company has sufficient gearing headroom to raise capital as required. The current ratio stood at 1.47x as on March 31, 2020, and operating cycle stood at 59 days in FY20. The company has not availed moratorium for its bank facilities.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short term instruments](#)

[CARE's Methodology for manufacturing companies](#)

[CARE's methodology for Auto Ancillary companies](#)

[Financial ratios - Non-Financial Sector](#)

[Liquidity analysis - Non-Financial sector](#)

About the company

JKFIL, a leading polymer product manufacturer, was originally established as Fenner & Co. (India) and manufactures V-belts, oil seals, moulded rubber components and engineering products for industrial and automotive mechanical power transmissions. The company has a total installed capacity of 311.07 lakh units per annum for belts and 1632.30 lakh units for oil seals. It also has wind mills with generation capacity of 6.35 MW.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total Operating Income	846.48	792.72
PBILDT	169.63	150.67
PAT	64.27	64.96
Overall Gearing (times)	0.50	0.52
Interest coverage (times)	6.81	6.67

A: Audited

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: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Bank Guarantees	-	-	-	0.00	Withdrawn
Fund-based - ST-Packing Credit in Indian rupee	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	0.00	Withdrawn
Fund-based - LT-Working Capital Demand loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Forward Contract	-	-	-	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (28-Dec-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	1)CARE A1+ (07-Apr-20)	-	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (05-Jan-18) 2)CARE A1+ (28-Dec-17)
3.	Fund-based - ST-Packing Credit in Indian rupee	ST	-	-	1)CARE A1+ (07-Apr-20)	-	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (05-Jan-18) 2)CARE A1+ (28-Dec-17)
4.	Fund-based - ST-Working Capital Limits	ST	-	-	1)Withdrawn (07-Apr-20)	-	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (05-Jan-18) 2)CARE A1+ (28-Dec-17)
5.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE AA-; Stable (07-Apr-20)	-	1)CARE AA-; Stable (24-Dec-18)	1)CARE AA-; Stable (05-Jan-18) 2)CARE AA-; Stable / CARE A1+ (28-Dec-17)
6.	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	1)Withdrawn (28-Jul-20) 2)CARE A1+ (07-Apr-20)	-	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (05-Jan-18) 2)CARE A1+ (07-Jul-17)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
7.	Non-fund-based - ST-Letter of credit	ST	-	-	1)CARE A1+ (07-Apr-20)	-	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (05-Jan-18)
8.	Fund-based - LT-Working Capital Demand loan	LT	-	-	1)CARE AA-; Stable (07-Apr-20)	-	1)CARE AA-; Stable (24-Dec-18)	1)CARE AA-; Stable (05-Jan-18)
9.	Fund-based - LT-Term Loan	LT	-	-	1)CARE AA-; Stable (07-Apr-20)	-	1)CARE AA-; Stable (24-Dec-18)	1)CARE AA-; Stable (05-Jan-18)
10.	Commercial Paper	ST	-	-	1)Withdrawn (28-Jul-20) 2)CARE A1+ (07-Apr-20)	-	1)CARE A1+ (24-Dec-18)	-
11.	Non-fund-based - ST-Forward Contract	ST	-	-	1)CARE A1+ (07-Apr-20)	-	-	-

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 the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - LT-Working Capital Demand loan	Simple
4.	Fund-based - ST-Packing Credit in Indian rupee	Simple
5.	Non-fund-based - ST-Bank Guarantees	Simple
6.	Non-fund-based - ST-Forward Contract	Simple
7.	Non-fund-based - ST-Letter of credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Name: Ms. Sowmiya Sudhakar
Contact no.: 044 2850 1000
Email ID: sowmiya.sudhakar@careratings.com

Relationship Contact

Name: Mr. V. Pradeep Kumar
Contact no. : 044 2850 1001
Email ID: pradeep.kumar@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**