JUNE 20, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF JASH ENGINEERING LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	42.40 (enhanced from Rs.39 crore)	**CARE BBB+ (Triple B Plus)**	**Reaffirmed**
Short-term Bank Facilities	5.56	**CARE A2 (A Two)**	**Reaffirmed**
Long-term / Short-term Bank Facilities	42.50 (enhanced from Rs.32.50 crore)	**CARE BBB+ / CARE A2 (Triple B Plus / A Two)**	**Reaffirmed**
Total	**90.46 (Rupees Ninety crore and Forty Six lakh only)**		

Rating Rationale

The ratings assigned to the bank facilities of Jash Engineering Limited (JEL) continue to derive strength from the vast experience of its promoters and established track record of operations in manufacturing of equipments used in water/waste water management along with and its ability to secure orders from diversified and reputed EPC contractors and companies in the infrastructure industry and technical and financial collaboration with various global valve manufacturers. The ratings also factor growth in its order book, healthy profitability margins, low leverage and moderate debt coverage indicators.

The ratings, however, continue to be constrained by its stable scale of operations on a moderate level during last three years ending FY16 (refers to the period April 01 to March 31) and vulnerability of its total operating income (TOI) to timely off-take of products manufactured and overall macro-economic environment. The ratings are also constrained on account of high working capital intensity of its operations, presence in an inherently cyclical industry and susceptibility of JEL's margins to volatility in raw material prices on account of competitive biding and fluctuations in foreign exchange rates.

JEL's ability to increase its scale of operations by leveraging upon its technical collaborations as well as increasing its reach by catering to wider markets while maintaining its profitability margins and comfortable capital structure would be the key rating sensitivities.

Background

Indore-based Jash group was founded in 1973 by Mr Jashbhai Patel. The group is engaged in the manufacturing of varied engineering products for water & waste water industry and bulk solids handling equipment (for cement, paper, fertilizers, chemicals, etc). JEL, the flagship company of the group, is an ISO-9001:2008 company which manufactures water control gates, knife gate valves, fine and coarse screening equipment, bulk solids handling valves, archimedean screw pumps, hydro power turbine generators and large-sized cast iron (C.I.) castings. JEL has a track record of supplying products to seven different World Bank aided projects in India. JEL operates out of three manufacturing units located at Sanwar Road, Pithampur, and Bardari in Indore region, Madhya Pradesh, India.

During FY12, JEL acquired 100% stake of Chennai-based Shivpad Engineers Pvt. Ltd (SEPL). SEPL designs & manufactures clariflocculators, degritters, etc, which are used in the water treatment, waste water treatment and sewage treatment plants. During FY13, JEL received private equity (PE) investment of Rs.22.75 crore from Pragati India Fund (PIF), an India-focused PE fund. PIF's principal investors are two Development Finance Institutions (DFIs): IFC, the investment arm of the World Bank, and CDC of UK. Furthermore, during FY15, JEL acquired 100% stake in Mahr Maschinenbau Gesellschaft m.b.H, Austria (Mahr Maschinenbau) to gain access to its technology and entry in markets where Mahr Maschinenbau has established its presence over the years (especially in the South East and Far East Asian markets).

During FY16 (Provisional) JEL reported a PAT Rs.9.03 crore on a total operating income (TOI) of Rs.112.07 crore as against a PAT of Rs.7.94 crore on a TOI of Rs.111.67 crore during FY15.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Analyst Contact
Name: Kalpesh Patel
Tel: 079-40265611
Mobile: 99090 26322
Email: kalpesh.patel@careratings.com

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

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

Head Office Mumbai

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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