AUGUST 11, 2015

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	39 (enhanced from Rs.34.72 crore)	**CARE BBB+ (Triple B Plus)**	**Reaffirmed**
Short-term Bank Facilities	5.56 (enhanced from Rs.5.30 crore)	**CARE A2 (A Two)**	**Reaffirmed**
Long-term/ Short-term Bank Facilities	32.50 (enhanced from Rs.25 crore)	**CARE BBB+/CARE A2 (Triple B Plus / A Two)**	**Reaffirmed**
Total Facilities	**77.06 (Rupees Seventy Seven crore and Six lakh only)**		

Rating Rationale

The ratings of 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 equipment's used in water/waste water management along with technical and financial collaboration with various global valve manufacturers as well as having a diversified clientele. The ratings also factor growth in its scale of operations along with healthy profitability margins, comfortable leverage and moderate debt coverage indicators.

The ratings, however, continue to be constrained by its moderate scale of operations, susceptibility of margins to volatility in raw material prices as well as foreign exchange rate, working capital-intensive nature of its operations and presence in an inherently cyclical and competitive industry.

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 market 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, large-sized cast iron (C.I.) castings, archimedean screw pumps and hydro power turbine generators. 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 (refers to the period April 1 to March 31), JEL acquired 100% shareholding 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

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

Finance Institutions (DFIs): IFC, the investment arm of the World Bank, and CDC of UK. As already planned, during FY15, JEL acquired 100% stake in Mahr Maschinenbau Gesellschaft m.b.H, Austria 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 FY15 (Provisional) JEL reported a PAT Rs.7.87 crore on a total operating income (TOI) of Rs.111.52 crore as against a PAT of Rs.8.02 crore on a TOI of Rs.105.95 crore during FY14. As per the provisional results for Q1FY16, JEL reported net sales of Rs.19.83 crore.

Analyst Contact
Name: Kalpesh Patel
Tel: 079-40265611
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. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@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

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

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. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@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

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 94139 69100
Tel: +91-141-402 0213 / 14
E-mail: harshraj.sankhla@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. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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