

OCTOBER 07, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	42.40	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	CARE BBB+ / CARE A2 (Triple B Plus / A Two)	Reaffirmed
Total Facilities	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 bidding 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 a 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 (Audited) JEL reported a PAT Rs.8.73 crore on a total operating income (TOI) of Rs.112.34 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

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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