

Jay Ushin Limited
 May 04, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	44.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Assigned
Long term/Short term Bank Facilities	66.00	CARE BB+; Stable/CARE A4+ (Double B Plus; Outlook: Stable/A Four Plus)	Assigned
Total Facilities	110.00 (Rupees one hundred and ten crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Jay Ushin Limited (JUL) are constrained by moderate financial risk profile, low profitability margins and operations necessitating regular capex. The ratings are also takes into cognizance JUL's susceptibility to volatility in raw material prices and customer concentration risk. However, the ratings derive comfort from extensive experience of promoters, long track record of operations and reputed clientele. The rating also factors in technical assistance JUL receives from Ushin Limited and established market position of the company and JPM group in automotive industry.

Rating Sensitivities**Positive:**

- Sustained improvement in total operating income above Rs. 1000 crore and PBILD margin above 7% in the medium term.
- Improved demand prospects for the automobile industry.

Negative:

- PBILD margin falling significantly to below 4% on a sustained basis.
- Decline in Total Operating income below Rs. 700 crore.
- Any liquidity stretch leading to weak debt coverage indicators

Detailed description of the key rating drivers**Key Rating Weaknesses**

Moderate financial risk profile and low profitability margins: Sluggish demand in the automobile industry has adversely impacted the operations, resulting in decline in the total operating income to Rs. 863.08 crore during FY19 (refers to the period: April 01 to March 31) (PY: 873.46 crore). The profitability margin stood low at 4.99% in FY19 (PY: 3.83%), the improvement is primarily on decrease in the price of primary raw material. The overall gearing remained high at 2.37x (PY: 2.74x) owing to huge long term borrowing on the company as a result of regular capital expenditure requirement of the operations. Total Debt to GCA of the company improved marginally to 3.16x in FY19 from 4.39x in FY18 as a result of relatively improved profitability. During 9MFY20 (refer to the period: April 01 to December 31), JUL has achieved total operating income of Rs. 515.87 crore (9MFY19: Rs. 689.17 crore) and PBILD margin of 6.30% (9MFY19: 4.83%).

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 crore to Rs. 25 crore every year. In FY19, JUL spent ~Rs. 34 crore towards capital expenditure the expenditure was partially funded by internal accruals and partial 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 & aluminium (~35% of total purchases), copper (~20% of total purchases) and plastic granules (~10% of total purchases). The raw material cost to the company is ~85% of total production cost in FY19 (FY18: ~86%). 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

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

JPM Group. Mr. J. P. Minda is B. E. (Electrical) BITS, Pilani and holds 59 years of experience in automotive components industry. Mr. Ashwani is B. Tech from IIT, Delhi with an experience of 32 years in the industry.

Reputed client base with long term long term relationship albeit concentration: The company is supplier to Maruti Suzuki, Hyundai Motors, Renault Nissan, Hero Motocorp and other reputed Original Equipment Manufacturers (OEMs) in India. The top ten customers contributed ~84.70% towards total revenue of the company during FY19 (PY: 85.75%). 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. Additionally, JUL spent Rs. 4.89 crore in FY19 (PY: Rs. 4.26 crore) towards Research and Development.

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.

Liquidity: Stretched

The temporary closure of business operations due to lockdown has impacted the liquidity of the company. The company has curtailed non-essential expenditure to conserve cash through various initiatives including deferred payments to vendors and prudent measures to meet fixed overheads including salaries and interest. It has applied to its lenders for a moratorium in line extant RBI guidelines. A prolonged lockdown and delay in resumption of business operations may further stretch the company's liquidity position and hence it shall remain key monitorable. The fund based limits of JUL remained ~64% utilized as on April 27, 2020. The company has generated cash accrual of Rs. 17.31 crore in 9MFY20 and has scheduled debt repayment of Rs. 27.43 crore in FY21. Besides, the company also generates additional cash flow to the tune of around Rs.6 crore from sale of old casts, moulds and fixed assets every year, which provides liquidity buffer to a limited extent.

Analytical approach:

Applicable Criteria: Standalone

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology – Auto Ancillary Companies](#)

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

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.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	873.46	863.08
PBILDT	33.44	43.03
PAT	10.68	11.54
Overall gearing (times)	2.74	2.37
Interest coverage (times)	3.03	2.68

A: Audited

Status of non-cooperation with previous CRA: Brickwork vide PR dated December 20, 2018

Any other information: NA

Rating History for last three years: Please refer Annexure-2

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
Fund-based - LT-Term Loan	-	-	September 30, 2023	44.00	CARE BB+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	66.00	CARE BB+; Stable / CARE A4+

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	44.00	CARE BB+; Stable	-	-	-	-
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	66.00	CARE BB+; Stable / CARE A4+	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Nil

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.

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About CARE Ratings:

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