

Jayashree Electron Private Limited: Upgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00 (enhanced from Rs. 3.80 crore)	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Term Loan	4.78 (enhanced from Rs. 3.98 crore)	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Letter of Credit	2.00 (enhanced from Rs. 0.50 crore)	SMERA A3 (Upgraded from SMERA A4+)
Bank Guarantee	2.50 (enhanced from Rs. 2.00 crore)	SMERA A3 (Upgraded from SMERA A4+)

SMERA has upgraded the abovementioned ratings of Jayashree Electron Private Limited (JEPL) to '**SMERA BBB-**' (read as **SMERA triple B minus**) and '**SMERA A3**' (read as **SMERA A three**) from '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.14.28 crore bank facilities. The outlook is '**Stable**'.

The rating upgrade is in view of the improvement in JEPL's financial risk profile marked by significant growth in operating income. The upgrade also factors in the improvement in profitability alongwith working capital cycle. SMERA believes that the company will sustain improvement in its financial risk profile over the medium term on the back of consistent growth in its networth and absence of any large debt-funded capex programme.

The ratings continue to draw support from the experienced and qualified management, healthy financial risk profile and reputed clientele. However, the ratings continue to remain constrained by the modest scale of business and working capital intensive operations.

Update

JEPL, incorporated in 1982, was promoted by Mr. R. P. Bapat and Mr. D. G. Dabke who posses more than four decades of experience in the electronic equipment industry. The company has reported operating income of Rs.35.77 crore in FY2015-16 as against Rs.24.26 crore in the previous year, registering a growth of ~48 per cent owing to increase in orders and higher capacity utilisation. As indicated by the management, JEPL achieved operating income of Rs.11.00 crore from April, 2016 to September, 2016.

The company successfully completed the capacity expansion project in August, 2016 and commenced operations from September, 2016 which is expected to sustain growth in revenues. Further, the operating margin improved to 12.65 per cent in FY2015-16 from 11.29 per cent in FY2014-15 due to decline in employee and other manufacturing costs as percentage to the total sales.

The company reported gearing of 0.53 times as on March 31, 2016 against 0.42 times in the previous year. The interest coverage ratio stood at 6.51 times in FY2015-16 as against 4.99 times in

the previous year while the debt coverage service ratio stood at 2.69 times in FY2015-16 as against 1.84 times in the previous year.

Further, the working capital cycle days improved to 83 in FY2015-16 from 89 in the previous year. However, the operations continue to remain working capital intensive with gross current asset days (GCA) of 200 for FY2015-16 as against 273 days in FY2014-15. The liquidity profile of the company is comfortable with average cash credit limit utilisation of around 75 percent during the six months ended 31st August, 2016.

Rating Sensitivity Factors

- Scaling up of operations while improving profitability
- Effective working capital management
- Debt funded capex plan

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook: Stable

SMERA believes that the outlook on JEPL's rated facilities will remain stable on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the company is able to achieve significant growth in revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case JEPL's liquidity position deteriorates due to stretched working capital cycle or large debt-funded capital expenditure plan.

About the Company

JEPL, incorporated in 1982, is a Pune-based company that manufactures soft starters and switches (proximity and electronic speed). The company was promoted by Mr. R. P. Bapat and Mr. D. G. Dabke who possess more than four decades of experience in the electronics industry.

In FY2015-16, JEPL reported profit after tax (PAT) of Rs.2.83 crore on operating income of Rs.35.77 crore as compared to PAT of Rs.1.73 crore on operating income of Rs.24.26 crore in the previous year.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
14 August, 2015	Cash Credit	3.80	SMERA BB+ (Assigned)	-	Stable
	Term Loan	3.98	SMERA BB+ (Assigned)	-	Stable
	Letter of Credit	0.50	-	SMERA A4+ (Assigned)	-
	Bank Guarantee	2.00	-	SMERA A4+ (Assigned)	-
	Proposed Term Loan	3.00	SMERA BB+ (Assigned)	-	Stable
	Proposed Bank Guarantee	1.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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