

Japtech Industries: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	15.00 (enhanced from Rs.8.00 crore)	SMERA BB/Stable (Reaffirmed)
Term Loan	6.00	SMERA BB/Stable (Reaffirmed)
Letter of Credit	3.00 (reduced from Rs.10.00 crore)	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.24.00 crore bank facilities of Japtech Industries (JI). The outlook is '**Stable**'.

The ratings continue to derive comfort from the firm's experienced management, moderate financial risk profile and reputed clientele. However, the ratings remain constrained by the firm's stagnant revenues, decline in profitability, working capital intensive operations and high dependence on the automobile sector.

Update

The firm's revenues have remained almost stagnant in FY2016 at Rs.82.18 crore compared to Rs.81.89 crore in FY2015. The firm has earned revenues of around Rs.39.44 crore during the period April to September, 2016.

Further, the operating margins have declined significantly in FY2016 to 3.29 per cent as compared to 6.83 per cent in FY2015 mainly on account of low sales realisation. The net profit of Rs.0.21 crore is largely supported by non-operating income of Rs.1.95 crore which mainly includes profit on sale of asset of Rs.1.68 crore.

The firm has moderate financial risk profile marked by moderate TOL to TNW ratio of 1.16 times as on March 31, 2016. The net worth stands at Rs.27.00 crore as on March 31, 2016 which has increased from Rs.25.98 crore as on March 31, 2015 mainly on account of infusion of capital by the promoters. Further, the interest coverage ratio stands moderate at 1.63 times in FY2016.

The GCA stands high at around 167 days in FY2016 on account of high inventory days of 99 in FY2016.

Rating Sensitivity Factors

- Scaling up revenues and profitability
- Comfortable financial risk profile
- Efficient working capital management

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook – Stable

SMERA believes JI's outlook will remain stable over the medium term on the back of its reputed clientele and experienced management. The outlook may be revised to 'Negative' in case of significant decline in revenue and profitability or deterioration in the firm's capital structure.

Conversely the outlook may be revised to 'Positive' in case the firm achieves sustained growth in revenues and profit margins with substantial improvement in the capital structure.

About the Firm

JI was established in 1988 as a partnership firm by Mr. Naresh Agarwal, Ms. Sunita L. Agarwal, Mr. Aman Agarwal and Ms. Poonam M Mittal. The firm is engaged in the manufacturing of auto sheet metal press components used in vehicles. The firm caters to Tata Motors, Mahindra & Mahindra, Piaggio, AMW Motors among others.

For FY2015-16, JI reported net profit of Rs.0.21 crore on operating income of Rs.82.18 crore, as compared to net profit of Rs.1.28 crore on operating income of Rs.81.89 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
24 August, 2015	Cash Credit	8.00	SMERA BB (Assigned)	-	Stable
	Term Loan	6.00	SMERA BB (Assigned)	-	Stable
	Letter of Credit	10.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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