

Press Release

Japtech Industries (JI)

March 03, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.24.00 Cr
Long Term Rating	SMERA BB/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

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.18.00 crore bank facilities of Japtech Industries (JI). The outlook is '**Stable**'.

SMERA has also withdrawn the rating of SMERA BB/Stable (read as SMERA double B) on the term loan of Rs 6.00 crore with immediate effect on account of full payment of dues.

JI, established in 1988, manufactures auto sheet metal press components used in vehicles. 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 stagnant revenues, decline in profitability, working capital intensive operations and high dependence on the automobile sector.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr. Naresh Agarwal and Mr. Aman Agarwal, partners have experience of over two decades in the auto component industry.

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

Reputed clientele: JI sells largely to reputed customers like TATA Motors, Mahindra, Piaggio, AMW Motors, among others.

Weaknesses:

Stagnant revenues: The firm's revenues have remained almost stagnant in FY2016 at Rs.82.18 cr compared to Rs.81.89 cr in FY2015. The firm earned revenue of around Rs.39.44 cr from April to September, 2016 (provisional).

Decline in profitability: The operating margins declined significantly in FY2016 to 3.29 per cent from 6.83 per cent in FY2015 mainly on account of low sales realisation. The net profit of Rs.0.21 cr is largely supported by non-operating income of Rs.1.95 cr which mainly includes profit on sale of asset of Rs.1.68 cr.

Working capital intensive operations: The GCA stands high at around 167 days in FY2016 as against 172 days in FY2015 on account of high inventory days of 99 in FY2016.

High dependence on the automobile sector: High dependence on the automobile sector makes the firm vulnerable to vagaries associated with the industry.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the firm to arrive at the ratings.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that JI's outlook will remain stable over the medium term owing to its reputed clientele and experienced management. The outlook may be revised to 'Positive' in case of sustained growth in revenues and profit margins with substantial improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability or deterioration in the firm's capital structure.

About the Rated Entity

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 manufactures auto sheet metal press components used in vehicles and caters to Tata Motors, Mahindra & Mahindra, Piaggio, AMW Motors among others.

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

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	15.00	SMERA BB/Stable (Reaffirmed)	21 Nov, 2016	SMERA BB/Stable (Reaffirmed)	24 Aug, 2015	SMERA BB/Stable (Assigned)	-	-
Term Loan	LT	6.00	SMERA BB/Stable (Withdrawn)	21 Nov, 2016	SMERA BB/Stable (Reaffirmed)	24 Aug, 2015	SMERA BB/Stable (Assigned)	-	-
Letter of Credit	ST	3.00	SMERA A4+ (Reaffirmed)	21 Nov, 2016	SMERA A4+ (Reaffirmed)	24 Aug, 2015	SMERA A4+ (Assigned)	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs in crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	15.00	SMERA BB/Stable (Reaffirmed)
Term Loan	NA	NA	NA	6.00	SMERA BB/Stable (Withdrawn)
Letter of Credit	NA	NA	NA	3.00	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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