

JS Auto Cast Foundry India Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	12.15*	SMERA BBB-/Stable (Assigned)
Stand by line of Credit	1.00	SMERA BBB-/Stable (Assigned)
Term Loan	10.35	SMERA BBB-/Stable (Assigned)
Export Bill Discounting	1.50	SMERA A3 (Assigned)
Letter of Credit	7.00	SMERA A3 (Assigned)

**Sublimit as Export Packing Credit & Pre shipment Credit in foreign currency to the extent of Rs. 6.00 crore.*

SMERA has assigned long-term rating of '**SMERA BBB-' (read as SMERA triple B minus)** and short-term rating of '**SMERA A3' (read as SMERA A three)** on the above mentioned bank facilities of JS Auto Cast Foundry India Private Limited (JS Auto). The ratings derive strength from the experienced management, established track record of operations and geographically diversified customer base coupled with healthy profitability. The ratings also draw support from the healthy financial risk profile. However, the ratings are constrained by the working capital intensive operations and exposure of profit margins to fluctuations in forex rates.

JS Auto, incorporated in 2004 is engaged in the manufacture of iron castings. The company is headed by Mr. S. Jeevanantham, Managing Director, with around 26 years of experience in the castings and forgings industry. The company caters to a geographically diversified customer base across industries such as agriculture, infrastructure, material handling as also countries including USA, UK, France among others.

The financial risk profile of the company is healthy marked by net worth of Rs.19.77 crore as on March 31, 2016 as against Rs.15.62 crore as on March 31, 2015. The company registered revenues of about Rs.100 crore for the period April, 2016 to October, 2016 (Provisional). The gearing is moderate at 1.65 times as on March 31, 2016 with comfortable interest coverage ratio (ICR) of 2.67 times in FY2016. The debt service coverage ratio (DSCR) stood at 1.32 times in FY2016 while the total debt of Rs.32.56 crore as on March 31, 2016 consists of short term working capital borrowing of Rs.17.39 crore. The company has a comfortable liquidity position marked by net cash accruals of Rs.8.01 crore as on March 31, 2016.

However, the operations of JS Auto are working capital intensive as reflected in the gross current asset (GCA) days of 160 for FY2016 and FY2015. The company earns around 11 per cent revenue from export to USA, UK, France, Spain and Switzerland exposing itself to fluctuations in forex rates.

Further, JS Auto plans to increase its production capacity from 13,455 tonnes to 18,000 tonnes per annum at an estimated project cost of Rs.9.26 crore to be funded by promoters' contribution of Rs.2.31 crore and the balance through a term loan. New machines are expected to be functional by March 2017 and contribute around 40 per cent growth in revenues. SMERA believes that the capex will not impact the healthy financial risk profile of the company.

Rating Sensitivity Factors

- Sustained growth in revenues and profitability
- Movement in capital structure and coverage indicators
- Changes in financial risk profile

Outlook-Stable

SMERA believes that JS Auto will maintain a stable outlook owing to its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company sustains healthy revenue momentum with profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or if the company undertakes higher than envisaged debt funded capex.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

Incorporated in 2004, the Coimbatore-based JS Auto is engaged in the manufacture of iron castings. The company, is headed by Mr. S. Jeevanantham, Managing Director and operates through its manufacturing unit at Coimbatore, Tamil Nadu.

For FY2015-16, the company reported profit after tax (PAT) of Rs.4.15 crore on operating income of Rs.114.04 crore, as compared with net profit of Rs.2.86 crore on operating income of Rs.96.46 crore in FY2014-15. The net worth stood at Rs.19.77 crore as on March 31, 2016 as compared with Rs.15.62 crore a year earlier.

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ABOUT SMERA

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