



**Press Release**  
**Jayachandran Alloys Private Limited**  
**July 16, 2024**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.72	ACUITE BB   Stable   Downgraded	-
Total Outstanding Quantum (Rs. Cr)	75.72	-	-

**Rating Rationale**

Acuite has downgraded its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.75.72 Cr. bank facilities of Jayachandran Alloys Private Limited (JAPL). The Outlook is '**Stable**'.

**Rationale for downgrade :**

The rating downgrade factors in the change in analytical approach which has led to significant deterioration in the business and financial risk profile of the JAPL. The rating also considers' s long track record of operations and experienced management and reputed clientele of JAPL, improved operating income. The company has shown significant growth in its operating income by registering a growth rate of ~28.89 percent in FY2024(Prov). The ratings is further supported by the company's efficient working capital management with GCA days of 76 in FY2024(Prov).

The rating, however, remains constrained by the below average financial risk profile, modest operating margins and competitive industry.

**About the Company**

Tamil Nadu based Jayachandran Alloys Private Limited (JAPL) was incorporated in the year 2006 by Mr. Anbalagan and his four brothers. The company is engaged in manufacturing of lead alloys from lead battery scrap. The company has its facility located in Perundurai (Tamil Nadu) with installed capacity of 54000 tons per annum. The day to day operations of the company are managed by Mr. C Pradeep, Managing director.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of JAPL to arrive at the rating.

## Key Rating Drivers

### Strengths

- **Long track record of operations and experienced management and reputed clientele**

The promoters of the company, Mr. Chandrasekaran Pradeep, Mr. Palaniappan Ramalingam, Mr. Palaniappan Chandrasekaran, Mr. Palaniyappa Chettiar Anbalagan, and Mr. Palaniyappa Arumugam, are seasoned players in the lead alloys, plastics, batteries, and scrap industry, having experience of around four decades individually. This, coupled with the addition of value-regulated lead acid (VRLA) batteries and battery plates to its product profile and an increase in exports, helped JAPL improve its revenues. The promoters' experience, coupled with their longstanding presence, helps the company win repetitive orders from reputed clientele in the automobile, battery, and UPS/inverter industries. Acuité believes that JAPL will benefit over the medium term on account of the extensive experience of the promoters.

- **Improving operating income**

The operating income of the company stood at Rs.479.29 Cr. with a YOY growth of 28.89 percent in FY2024(Prov) as against Rs.371.84 Cr. in FY2023. The company generates its major revenues from the lead-acid battery segment. The reason behind the improvement in revenue in FY2024(Prov) is on account of increased volumes. The operating profit margins ranged between 2.26–1.71 percent in the last two years ended FY2024(Prov). Acuité believes that the scale of operations will continue to be stable over the medium term, backed by healthy demand in the battery industry.

- **Efficient Working capital operations**

JAPL's operations are efficient in terms of working capital, marked by gross current assets (GCA) days of 76 days in FY2024(Prov), 70 days in FY2023, respectively. The working capital cycle remained in the said range on account of the limited credit period offered to the debtors and the moderate levels of inventory maintained by the company. Inventory days stood at 26 days in FY2024(Prov), as against 33 days in FY 2023. The debtor day stood at 32 days in FY2024(Prov) as against 20 days in FY2023. Subsequently, the payable period stood at 21 days in FY2024(Prov) as against 5 days in FY2023, respectively. Further, the average bank limit utilization in the last ten months ended May 24 remained at ~98 percent for fund-based. Acuité believes that the company will continue to effectively manage its working capital cycle over the medium term.

## **Weaknesses**

- **Below average financial risk profile**

The financial risk profile of the company has remained below average with moderate net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.34.31Cr. and Rs.30.76 Cr. as on March 31, 2024(Prov.), and 2023, respectively. The improvement is on account of the moderate accumulation of net profit in the reserve. The gearing of the company stood high at 2.55 times as on March 31, 2024(Prov), against 2.62 times as on March 31, 2023. Debt protection metrics: interest coverage ratio and debt service coverage ratio stood at 1.94 times and 1.13 times as on March 31, 2024(Prov.), respectively, as against 2.08 times and 1.04 times as on March 31, 2023, respectively. The debt to EBITDA of the company stood at 5.40 times as on March 31, 2024(Prov.), as against 6.13 times as on March 31, 2023. Acuité believes that improvement in the scale of operations, stable profitability, and efficient working capital management will be the crucial factors that will affect the financial risk profile of the company.

- **Modest operating margins and competitive industry**

The major raw material for the company is battery scrap. The prices of the same are fluctuating in nature; therefore, the operating profit margins of the company are susceptible to raw material price fluctuations. Currently, battery storage (raw material lead) is being replaced by lithium-ion batteries for electric vehicles. There is expected pressure on demand due to the moderation in off-take by the auto sector. The operating margins are also dependent on the prices of raw materials (i.e., lead), which are highly volatile in nature. It is exposed to intense competition in the replacement battery market in the automobile segment from the market leaders. Acuité believes that

established relations with suppliers will be crucial for the company when procuring its raw materials.

### **Rating Sensitivities**

- Growth in scale of operations
- Improving operating margins
- Significant elongation in working capital cycle leading to deterioration in liquidity position and financial risk profile

### **Liquidity Position: Adequate**

JAPL's liquidity profile is adequate marked by adequate generation of net cash accruals in FY2024(Prov) to its maturing debt obligations. JAPL has generated cash accruals of Rs.6.67 Cr. in FY2024(Prov) as against its maturing long-term debt obligations of Rs.4.89 Cr. for the same period. The company is expected to generate adequate NCAs in the range of Rs.8.96-12.39 Cr. in FY2025- 2026 against CPLTD of Rs.4.56-4.67 Cr. over the same period. The current ratio stood at 1.10 times as on March 31, 2024(Prov), against 1.12 times in previous year. JAPL maintained unencumbered cash and bank balances of Rs.7.38 Cr. as on March 31, 2024(Prov), against Rs.6.28 Cr. in previous year. Further, the average bank limit utilization in the last 12 months ended May 24 remained at ~98 percent for fund based. Acuité believes that the liquidity of the company to remain adequate on account of the adequate generation of cash accruals.

### **Outlook: Stable**

Acuité believes that JAPL will maintain a 'Stable' outlook over the medium term backed by its experienced management, stable scale operations and efficient working capital operations. The outlook may be revised to 'Positive' in case of significant improvement in its revenues, while maintaining the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration in financial risk profile and liquidity position.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	479.27	371.84
PAT	Rs. Cr.	3.55	2.61
PAT Margin	(%)	0.74	0.70
Total Debt/Tangible Net Worth	Times	2.55	2.62
PBDIT/Interest	Times	1.94	2.08

### Status of non-cooperation with previous CRA (if applicable)

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 May 2024	Term Loan	Long Term	1.47	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Term Loan	Long Term	1.58	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Working Capital Term Loan	Long Term	3.17	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Bills Discounting	Long Term	28.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	PC/PCFC	Long Term	41.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
28 Feb 2023	Term Loan	Long Term	1.47	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.17	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	1.58	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	30.00	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	11.50	ACUITE BBB   Stable (Assigned)
	Bills Discounting	Long Term	14.59	ACUITE BBB   Stable (Reaffirmed)
	Bills Discounting	Long Term	13.41	ACUITE BBB   Stable (Assigned)
08 Mar 2022	Proposed Short Term Bank Facility	Short Term	1.99	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	0.03	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	0.87	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	0.76	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	1.91	ACUITE BBB   Stable (Reaffirmed)
	Bills Discounting	Long Term	11.00	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	16.57	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	13.43	ACUITE BBB   Stable (Assigned)
	Working Capital Term Loan	Long Term	4.25	ACUITE BBB   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.77	ACUITE BB   Stable   Downgraded ( from ACUITE BB+ )
Kotak Mahindra Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	41.50	ACUITE BB   Stable   Downgraded ( from ACUITE BB+ )
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Jun 2025	Simple	1.28	ACUITE BB   Stable   Downgraded ( from ACUITE BB+ )
Kotak Mahindra Bank	Not avl. / Not appl.	Working Capital Term Loan	25 Jan 2021	Not avl. / Not appl.	05 Jan 2025	Simple	3.17	ACUITE BB   Stable   Downgraded ( from ACUITE BB+ )

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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