

## Press Release

### Drill Jig Bushing Co (Madras) Private Limited

September 07, 2018



### Rating Assigned

<b>Total Bank Facilities Rated</b>	Rs. 10.00 crore
<b>Long Term Rating</b>	ACUITE BB-/ Stable
<b>Short Term Rating</b>	ACUITE A4

### Rating Rationale

Acuité has assigned long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.10.00 crore bank facilities of Drill Jig Bushing Co (Madras) Private Ltd (DJBL). The outlook is '**Stable**'.

Incorporated in 1973, DJBL is a Chennai based company engaged in manufacture of drill jig bushings, production and automotive components. Further, DJBL does machining of components on job work basis. DJBL mainly caters to automobile and aerospace industry. It is also the first Indian company to export drill jig bushings and their products are being sold worldwide.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the DJBL to arrive at this rating.

### Key Rating Drivers:

#### **Strengths:**

- Experienced management and established track record of operations**

Incorporated in 1973, DJBL has a long operational track record of more than 4 decades in the industry. Directors of have experience of more than two decade in auto components segment. Boneham & Turner Ltd holds 41 percent of shares in DJBL. Mr. S Manisekaran has over three decades of experience in the automotive component industry. Mr. M Karthikeyan has an experience of more than 28 years in auto components industry. Boneham & Turner Ltd is a leading manufacturer and supplier of tooling components and precision engineered components in the UK with almost 100 years' experience in the manufacture and supply of Jig Bushes, Drill Bushes, Dowel Pins, Jig and Fixture Parts. The company has forged healthy relationships with customers and suppliers. DJBL has customer base spread across Pan India and oversees countries like USA, UK among others. The company over the years has also built a healthy relationship with suppliers for procurement of steel rods and consumables. Acuité believes that DJBL will continue to benefit from its experienced management and established relations with its customers and suppliers.

- Comfortable financial risk profile**

The financial risk profile is marked by low gearing and healthy debt protection metrics, though underpinned by moderate net worth. The net worth stood at Rs.9.33 crore as on 31 March, 2018 increased by Rs.0.83 crore as compared to FY2017; supported by accretion to accruals. Gearing is comfortable at 0.75 times as of March 31, 2018 as compared to 0.45 times as on March 31, 2017. Total outside liabilities to tangible net worth (TOL/TNW) also stood moderate at 1.34 times as on March 31, 2018 as compared to 0.81 times as on March 31, 2017. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are healthy at 3.94 times and 0.21 times respectively for FY2018. Acuité believes that the financial risk profile is expected to improve over the medium term in the absence of major debt funded capex over the medium term.

### Weaknesses:

- **Moderate working capital operations**

DJBL has moderate working capital operations as evident from Gross Current Assets (GCA) days of 300 as on March 31, 2018 as against 247 days as on March 31, 2017. The increase GCA days were mainly due to high inventory and debtor levels. The entity's debtor days stood at 127 as on March 31, 2018 as compared to 116 as on March 31, 2017. The inventory days stood at 83 as on March 31, 2018 as compared to 87 as on March 31, 2017. Moderate working capital management has led to ~80 percent utilisation of working capital limits over the past six months ended July 2018. Acuité believes that the working capital operations of the company will remain moderate as evident from moderate collection mechanism and inventory levels in the business.

- **Moderate scale of operations**

DJBL operations are moderate in the range of Rs.14.0 – 20.0 crore over the past three years through FY2018 with revenues at Rs.20.79 crore. The moderate revenues are partly attributed to capacity constraints.

### Outlook: Stable

Acuité believes that the outlook on DJBL will remain 'Stable' over the medium term on account of the experience of the promoters in the automotive components industry. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.79	14.57	16.91
EBITDA	Rs. Cr.	1.94	1.03	1.91
PAT	Rs. Cr.	0.83	0.03	0.67
EBITDA Margin	(%)	9.35	7.06	11.27
PAT Margin	(%)	4.00	0.23	3.98
ROCE	(%)	9.51	3.40	11.70
Total Debt/Tangible Net Worth	Times	0.75	0.45	0.28
PBDIT/Interest	Times	3.94	3.28	5.24
Total Debt/PBDIT	Times	3.45	3.59	1.21
Gross Current Assets (Days)	Days	300	247	180

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

None

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.90	ACUITE BB-
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.95	ACUITE BB-
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.30	ACUITE A4
Proposed	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE A4

**Contacts**

Analytical	Rating Desk
Sri Hari Adari Head - Rating Operations Tel: 040-4027 4590 <a href="mailto:srihari.adari@acuite.in">srihari.adari@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Sethu Madhav Analyst - Rating Operations Tel: 022-67141128 <a href="mailto:sethu.madhav@acuiteratings.in">sethu.madhav@acuiteratings.in</a>	

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