

Press Release

Drill Jig Bushing Co (Madras) Private Limited

January 04, 2022



Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.15		ACUITE A4 Reaffirmed
Bank Loan Ratings	6.85	ACUITE B Stable Downgraded	
Total	10.00	-	-

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE B**' (**read as ACUITE B**) from '**ACUITE B+**' (**read as ACUITE B plus**) and reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.10.00 Cr bank facilities of Drill Jig Bushing Co (Madras) Private Ltd (DJBL). The outlook is 'Stable'.

The rating downgrade takes into account the revenue decline caused due to temporary shutting down of operations on account of the outbreak of Covid-19 and the subsequent lockdowns, which also adversely affected the profitability. Deterioration has also been observed in the capital structure and coverage indicators. Further, the rating is constrained due to unsustainable dependence of the company on its ability to stretch its creditors. The creditor days has been in the range of 286-486 in the last three years through 2019-2021 (provisional). However, the rating draws comfort from the promoter's experience. Also, revenue for FY2022 (till October 2021), has improved to Rs. 14.58 Cr. Despite the improved revenue, the profitability is expected to remain constrained on account of increase in raw material and consumable prices.

About the Company

Incorporated in 1976, DJBL is a Chennai based company engaged in manufacture of drill jig bushings and production of automotive components. The company is managed by Mr. K. R. Sundaresan. 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 sold in USA and UK.

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 1976, DJBL has a long operational track record of more than four decades in the industry. The managing director Mr. K. R. Sundaresan has more than two decades of

experience in the automotive component industry. Further, Boneham & Turner Ltd holds 41 percent of shares in DJBL. 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 derives 44 percent of its revenue from Boneham & Turner Ltd. Further, the company also supplies to customers like Renault Nissan, DELPHI-TVS TECHNOLOGIES, etc. Further, DJBL company over the years has also built a healthy relationship with suppliers for procurement of carbon and alloy steel, aluminium and other consumables.

Acuité believes that DJBL will continue to benefit from its experienced management and established relations with its customers and suppliers.

Weaknesses

• Moderate financial risk profile with deteriorating coverage indicators

The financial risk profile of the company is marked by high gearing, below average debt protection metrics and moderate net worth. The net worth of the company stood at Rs. 8.42 Cr as on March 31, 2021 (provisional) as against Rs. 9.56 Cr in the previous year. The decline in net worth can be attributed to the losses incurred due to Covid imposed lockdowns, the operations of the company was shut in April-20, also it was shut from June 2020 -August 2020. Further, the company availed Covid loans amounting to Rs. 1.84 Cr in FY 2021, thereby increasing the debt to Rs. 14.71 Cr as on March 31, 2021(provisional) against Rs.12.65 Cr as on March 31, 2020. The debt to equity stood at 1.75 times as on March 31, 2021 (provisional) against Rs. 1.32 times in the previous year. Going forward, in FY2022 the debt to equity is expected to be ~2 times. The total net worth (TOL/TNW) was 2.32 times as on March 31,2021 (provisional) against 1.83 times as on March 31, 2020. The interest coverage ratio (ICR) was 1.13 times in FY2021 (provisional) against and 1.94 times in FY2020.

Acuite believes the deteriorating financial risk profile would adversely impact the already modest scale of operations and profitability and create liquidity constraints in the medium term to repay debt obligations.

• Profitability susceptible to input price volatility:

The company procures carbon steel, alloy steel, aluminium and other consumables. The company remains exposed to the risk of volatile movement in the price of these inputs. The raw materials and consumables varies in the range of ~15 to 25 percent of revenue through FY2019-2021 (provisional). For FY2022 (till October 2021), raw material and consumables accounted for ~36 percent of revenue, thereby adversely impacting profitability.

Acuite believes any further deterioration in the profitability will be a key rating monitorable.

Rating Sensitivities

- Further, deterioration in capital structure, exhibited by increased reliance on external funding.
- Constraints in stretching creditor days, thereby adversely impacting operations.

Material covenants

None.

Liquidity Position: Stretched

DJBL generated net cash accruals of Rs. 1.93 Cr to Rs. 0.21 Cr in the last three years through 2019 – 2021 (provisional) while the debt obligation for the same period is Rs. 2.06 Cr to Rs. 2.45 Cr. The Gross Current Asset (GCA) days was around 379 as on March 31, 2021 (provisional) as against 251 in the previous year. The high GCA days can be attributed to increased debtor days to 131 in FY2021 (provisional) against 64 in FY2020 and increased inventory days to 188 in FY2021 (provisional) against 136 in FY2020. Despite high GCA days the company has a negative working capital cycle due to high creditor days, 486 in FY2021 (provisional) and 514 in FY2020. The liquidity pressures faced by the company can be marked by substantial delays in the payment of creditors thereby increasing the creditor days. Further, the average bank

limit utilization was ~92 percent in the past one year, ending November 2021. The company maintained a cash and bank balance of Rs. 0.42 Cr as on March 31, 2021 (provisional) and Rs. 0.16 Cr in the previous year.

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 profitability and ensuring moderate financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any further unsustainable stretch in its creditor days, deterioration of its financial risk profile and liquidity due to fall in revenue and profitability.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	13.47	18.57
PAT	Rs. Cr.	(1.22)	(0.20)
PAT Margin	(%)	(9.06)	(1.05)
Total Debt/Tangible Net Worth	Times	1.75	1.32
PBDIT/Interest	Times	1.13	1.94

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

CRISIL vide its press release dated 25 Oct 2021, has mentioned the rating of DJBL to 'CRISIL B/Stable/A4' Issuer Not Cooperating as on 25 Oct 2021.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jan 2021	Term Loan	Long Term	3.90	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short Term	1.85	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	2.95	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Packing Credit	Short Term	1.30	ACUITE A4 (Issuer not co-operating*)
08 Nov 2019	Cash Credit	Long Term	2.95	ACUITE BB- (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	1.85	ACUITE A4 (Issuer not co-operating*)
	Packing Credit	Short Term	1.30	ACUITE A4 (Issuer not co-operating*)

	Term Loan	Long Term	3.90	ACUITE BB- (Issuer not co-operating*)
07 Sep 2018	Term Loan	Long Term	3.90	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	2.95	ACUITE BB- Stable (Assigned)
	Proposed Bank Facility	Short Term	1.85	ACUITE A4 (Assigned)
	Packing Credit	Short Term	1.30	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.95	ACUITE B Stable Downgraded (from ACUITE B+)
Indian Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.30	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE A4 Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.90	ACUITE B Stable Downgraded (from ACUITE B+)

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About Acuité Ratings & Research

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