

Press Release

Jai Hind Autotech Industries

January 04, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) on the Rs. 10.00 crore bank facilities of Jai Hind Autotech Industries. The outlook is '**Stable**'.

JHAI is an Uttarakhand based partnership firm established in 2016 by Mr. Puran Singh and his brother, Mr. Chetan Baghel. The firm is engaged in manufacturing of injection moulded plastic components for the automobile industry. The firm manufactures products including mirror hosing, A13 plug, gear lever and A-pillars, among others. The manufacturing unit of the firm is located in Udham Singh Nagar (Uttarakhand) with installed capacity of 2000 metric tonnes per annum.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of JHAI to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The promoters collectively possess more than three decades of experience in manufacturing of rubber moulded and plastic moulded components for auto parts industry. The extensive experience of the promoters have helped the firm to acquire reputed customer i.e. Tata Motors Limited.

• Moderate financial risk profile

The financial risk profile of the firm is comfortable with adjusted debt to equity ratio at 1.35 times as on 31 March, 2018 as against 1.90 times in the previous year. The unsecured loan of Rs.0.97 crore has been considered as part of equity instead of total debt as same is subordinated to bank debt. The total debt of Rs.7.08 crore includes long term borrowing of Rs. 6.05 crore and short term borrowing of Rs. 1.03 crore as on 31st March, 2018. The interest coverage ratio stood at 3.34 times for FY2018 as against 2.30 times in the previous year. The debt service coverage ratio stood at 1.43 times for FY2018 as against 2.14 times in the previous year. The total outside liabilities to tangible net worth stood at 2.23 times as on 31 March, 2018 as against 2.82 times in the previous year. The firm plans to acquire a manufacturing unit located in Pune for total project cost of Rs. 3.50 crore which will be funded through bank term loan of Rs. 2.45 crore and remaining through promoters' funds. However, the major debt funded capex plan is not likely to have any impact on the financial risk profile of JHAI.

Weaknesses

• Limited track record of operation

The firm has reported operating income of Rs. 26.49 crore for FY2018 as against Rs. 8.03 crore in the previous year. This is on account of limited track record of operations as the commercial operation commenced from October 2016.

• Customer Concentration

The firm is exposed to customer concentration risk as around 90 percent of the revenue is derived from a single customer i.e. Tata Motors Limited at Rudrapur. This also limits the bargaining power against the customer.

• **Highly fragmented and competitive industry**

The firm is exposed to intense competition from large number of players in the auto components industry. Further, automobile industry is cyclical in nature and dependent on the economic growth and purchasing power of the customers. This will have impact on the operations of entities such as JHAL.

• **Partnership Firm**

JHAL being a partnership firm is exposed to the inherent risk of such entities which will have an impact on the credit profile of the firm.

Outlook: Stable

Acuite believes that the outlook on JHAL rated facilities will remain 'Stable' over the medium term on account of its experienced promoters in the plastic auto components manufacturing industry. The outlook may be revised to 'Positive' if the firm registers significant and sustainable growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the firm registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.49	8.03	0.00
EBITDA	Rs. Cr.	3.43	2.10	0.00
PAT	Rs. Cr.	0.99	0.32	0.00
EBITDA Margin	(%)	12.94	26.12	0.00
PAT Margin	(%)	3.75	3.94	0.00
ROCE	(%)	22.58	26.70	0.00
Total Debt/Tangible Net Worth	Times	1.35	1.90	0.00
PBDIT/Interest	Times	3.34	2.30	0.00
Total Debt/PBDIT	Times	2.06	3.20	0.00
Gross Current Assets (Days)	Days	102	207	0

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE BB- / Stable
Term loans I	Not Applicable	Not Applicable	Not Applicable	4.99	ACUITE BB- / Stable
Term loans II	Not Applicable	Not Applicable	Not Applicable	0.84	ACUITE BB- / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.42	ACUITE BB- / Stable

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuute.in</p> <p>Simranjeet Kaur Analyst - Rating Operations Tel: 02249294023 Simranjeet.Kaur@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuute.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.