



## Press Release

**JS Auto Cast Foundry India Private Limited**

**July 08, 2021**

### **Ratings**

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	39.25	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	14.50	IVR A3 (IVR A Three)	Assigned
	<b>Total</b>	<b>53.75</b>	<b>(INR Fifty-Three Crore and Seventy Five Lakhs Only)</b>	

**Details of Facilities are in Annexure 1.**

### **Detailed Rationale**

The ratings assigned to the above bank facilities of JS Auto Cast Foundry India Private Limited (JSACIPL) derives strength from extensive experience of its promoters in the casting and foundry industry, diversified customer profile, stable financial performance, healthy order book and average financial risk profile marked by moderate gearing with satisfactory debt protection metrics. However, these rating strengths remain constrained by its exposure to competition, exposure to foreign exchange fluctuation risk, working capital intensive nature of its operations and exposure to cyclicity in the end user industry.

### **Key Rating Sensitivities**

#### **Upward Factors:**

- Sustained improvement in revenues thereby improving the profitability and debt protection metrics of the Company.
- Improvement in the capital structure of the company with improvement in overall gearing ratio to below 1.2x
- Sustained improvement in the liquidity of the Company.

#### **Downward Factors:**

- Dip in revenues with moderation in profitability on a sustained basis
- Moderation in the capital structure with overall gearing ratio gone over 2x and/or interest coverage ratio deteriorated below 2x.



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- Elongation in the operating cycle impacting the liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths:**

##### **Extensive experience of the promoters**

The promoter Mr. Subramaniam Jeevanantham has around three decades of experience in the casting and foundry business and thus has established relationships with customers leading to steady and repeat orders.

##### **Diversified customer profile**

The Company's customer profile remains diversified as the company is catering to various sectors such as wind energy, mining, agriculture and automobile to name a few, thus partially offsetting its exposure to slowdown in any specific end user industry.

##### **Stable financial performance**

The financial performance of the company remained stable over the past three fiscals with improvement in its operating profit. Following a steady growth in its total operating income with a CAGR of ~18% during FY17-20, the company witnessed a y-o-y moderation of ~11% in FY21 (Prov.) mainly due to impact of COVID pandemic leading to very less operations during Q1FY21 and delay in order execution due to closure of exports by major international markets. Additionally, the Company was also affected due to labour migrations. The EBITDA margin of the company remained comfortable over the aforesaid period and despite moderation in its total income the company managed to earn higher operating margin in FY21 driven by its cost optimisation measures and execution of few high margin orders. The PAT margin of the company remained satisfactory over the past four fiscals in the range of ~3.8%-5.50%. Furthermore, the company has generated a healthy gross cash accruals over the aforesaid period.

##### **Healthy order book indicating near term revenue visibility.**

The Company has a healthy current orderbook to be completed by 31 Mar 2022, thus indicating a near term revenue visibility.



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### **Average financial risk profile**

The financial risk profile of the company remained average marked by its moderate capital structure, adequate debt protection metrics and moderately working capital intensive nature of operations over the years. The overall gearing ratio and the total indebtedness of the company remained moderate at 1.63x and 2.54x respectively as on March 31, 2021 (Prov.). However, the debt protection metrics of the company remained satisfactory with interest coverage at 2.48x and total debt to GCA at 3.47 years in FY21. The operations of the company remained moderately working capital intensive.

### **Key Rating Weakness:**

#### **Exposure to competition**

The Company generates ~60% of its revenues from exports to international markets thereby being exposed to competition from other countries such as China and America which are also major sellers in the international market for casting and foundry products, this is in addition to the competition the Company faces in the domestic market due to the unfragmented nature of the industry.

#### **Exposure to foreign exchange fluctuations**

Exports constitute around ~60% of the Company's revenues thereby exposing the Company to fluctuation in foreign exchange. The Company has no hedging mechanism at present and follows direct payment strategy.

#### **Exposure to cyclicity in the end user industry**

The Company's operations remain susceptible to cyclicity in end user industries (i.e) wind energy, mining, agriculture and automobile. Any downward trend in the defined sectors may adversely affect the topline of the Company. However, the Company has diversified its customer profile to mitigate the risk to some extent.



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### **Working capital intensive nature of operation**

The operations of the company remained working capital intensive marked by its gross current asset days at around 183 days in FY21 (about 134 days in FY20) mainly due to its elongated average debtors' collection period. The high debtors was partly owing to high year end billing and retention monies held by customers.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity Position: Adequate**

The liquidity of the Company is expected to remain adequate in the near term. Fund based limit utilisation stood at 75% for 12 month ending February 2021. The Company had earned a GCA of Rs. 24.92 crs against a repayment of Rs.14.89 Crs in FY21. Further, the Company has projected to earn GCA of ~Rs. 33 – 44 crs against repayments in the range of Rs. 14 -20 during FY22-24.

### **About the Company**

Established in 2004, Coimbatore based JS Auto Cast Foundry India Pvt Ltd is engaged in manufacturing of machined iron foundry casting products, which are used in various industries like automobile, hydraulic, energy & power generation, mining, oil & gas, material handling and engineering industries. The main focus of the company is in non-auto-casting products. The Company's manufacturing facilities are ISO certified and winner of the Green foundry award. The facility consists of the design shop, foundry and machine shop, logistics department all in single location. The facilities also have inhouse quality lab to conduct stringent quality checks on materials, as it is a critical quality determinant of the end-product. The company caters both domestic and export market with export to countries like USA, France, Brazil etc. Mr. Subramaniam Jeevanantham is the Founder and Managing director of the Company.

### **Financials (Standalone)**

**(Rs. crore)**



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For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	291.81	258.22
EBITDA	44.25	43.92
PAT	15.92	11.73
Total Debt	121.35	144.53
Tangible Net worth	68.26	79.98
EBITDA Margin (%)	15.16	17.01
PAT Margin (%)	5.44	4.51
Overall Gearing Ratio (x)	1.78	1.81

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** ACUIE vide its press release publication dated February 18, 2021 has migrated the ratings of the Company to "Issuer Not Cooperating" category as the Company has not provided information to review the rating.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loans	Long Term	25.10	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	14.15	IVR BBB-/ Stable	-	-	-
3.	SLC	Short Term	1.00	IVR A3	-	-	-
4.	EPC/PCFC	Short Term	6.50	IVR A3	-	-	-
5.	Letter of Credit	Short Term	7.00	IVR A3	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

**Name and Contact Details of the Rating Analyst:**





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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Term Loans	-	-	September 2025	25.10	IVR BBB-/ Stable
Cash Credit	-	-	-	14.15	IVR BBB-/ Stable
SLC				1.00	IVR A3
EPC/PCFC	-	-	-	6.50	IVR A3
Non-Fund Based Letter of Credit	-	-	-	7.00	IVR A3
<b>Total</b>				<b>53.75</b>	



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**Annexure 2: Facility wise lender details (Hyperlink to be added)**

<https://www.infomerics.com/admin/prfiles/Lender-JS-Auto-Cast-Foundry-India-Pvt-Ltd-08-Jun-21-.pdf>

