

Rating Advisory

May 17, 2019 | Mumbai

Advisory as on May 17, 2019

This rating advisory is provided in relation to the rating of Jasch Industries Limited.

CRISIL vide its publication dated April 30, 2019 highlighted the aspect of non-co-operation by Jasch Industries Limited.

Jasch Industries Limited has now initiated cooperation, has confirmed timeliness in debt servicing for April 2019 and has also provided 'No Default Statement' dated May 07, 2019.

You may access the Rating Rationale as appended below.

Rating Rationale

August 31, 2018 | Mumbai

Jasch Industries Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.35.57 Crore
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)
Short Term Rating	CRISIL A3+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the bank facilities of Jasch Industries Ltd (JIL; part of the JIL group) at 'CRISIL BBB/Stable/CRISIL A3+'.

The ratings continue to reflect its diversified revenue and product profiles (comprising synthetic leather and electronic gauges) and comfortable financial risk profile. These strengths are partially offset by a moderate scale of operations and exposure to intense competition in the synthetic leather industry.

Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of JIL, its wholly owned subsidiary, Jasch North America Company (JNAC; electronic gauge business), and JNAC's subsidiary. This is because all these entities, together referred to as the JIL group, have common ownership and management.

Key Rating Drivers & Detailed Description

Strengths

* Diversified revenue profile

The group expanded operations from manufacturing synthetic leather to industrial gauges in 2000. The synthetic leather division accounted for 72% of the total revenue of Rs 156.6 crore in fiscal 2018, while the industrial gauge segment accounted for the rest. In the synthetic leather division, the polyvinyl chloride (PVC) and polyurethane (PU) segments accounted for 54% and 46%, respectively, of the total income.

* Healthy financial risk profile

Strong operational performance over the past four fiscals and prudent funding of capital expenditure through debt and equity have helped to strengthen balance sheet. Total outside liabilities to tangible networth ratio has been in the 1.3-1.5 times range over the three fiscals ended March 31, 2018. Interest coverage and net cash accrual to adjusted debt ratios were 4.4-5.2 times and 0.35-0.40 time, respectively, during that period. Financial risk profile is expected to remain steady over the medium term.

Weakness

* Moderate scale of operations

Though operating income had increased to Rs 156.6 crore in fiscal 2018 from Rs 116.9 crore in Fiscal 2017 supported by increased income from synthetic leather, scale remains small.

* Exposure to intense competition and to fluctuations in foreign exchange (forex) rates

Several unorganised players and imports from China and Taiwan cater to majority of demand in the synthetic leather industry. Also, commoditised product makes demand sensitive to price fluctuations. This is mitigated by the fact that, unlike Chinese players in this segment, the JIL group manufactures durable and high-quality fabric used by premium footwear brands such as Nike, Reebok, Adidas, Bata, Liberty, and Lakhani.

Operating margin remains susceptible to volatility in the value of the Indian rupee as the group is a net importer. While it imports 45-50% of total raw material, only around 40% of the revenue from the industrial gauge unit is from exports.

Outlook: Stable

CRISIL believes the JIL group will maintain its business and financial risk profiles over the medium term. The outlook may be revised to 'Positive' in case of a significant improvement in operating revenue and profitability, while maintaining capital structure and working capital cycle. The outlook may be revised to 'Negative' if decline in operating margin leads to lower cash accrual, or if financial risk profile weakens due to higher reliance on external debt.

About the Group

JIL, incorporated as Jasch Polymers Ltd in 1985, got its current name in 1993. The company manufactures PU resin and PU/PVC-coated fabric, also known as synthetic leather. In 2000, it opened an industrial gauge division that specialises in online measurement and control systems for flat sheet products, including instruments such as thickness gauge, coating thickness gauge, paint thickness gauge, and basis weight/ash/moisture measurement gauges. These are used by players in the paper, plastic films, and steel industries. Manufacturing unit is in Sonapat, Haryana. JIL, through its wholly owned subsidiary, JNAC, purchased a US-based industrial gauge unit, Indev Gauging System Inc, in January 2012.

Key Financial Indicators

As on / for the period ended March 31		2018	2017
Revenue	Rs crore	156.6	116.9
Profit after tax	Rs crore	4.4	5.9
PAT margins	%	2.8	5.0
Adjusted Debt/Adjusted Net worth	Times	0.5	0.6
Interest coverage	Times	5.0	5.2

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs Cr)	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	4.0	CRISIL A3+
NA	Cash Credit	NA	NA	NA	16.0	CRISIL BBB/ Stable
NA	Letter of Credit	NA	NA	NA	12.0	CRISIL A3+
NA	Term Loan	NA	NA	Mar-19	3.57	CRISIL BBB/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	19.57	CRISIL BBB/Stable			08-08-17	CRISIL BBB/Stable	23-08-16	CRISIL BBB/Watch Developing	18-09-15	CRISIL BBB/Stable	CRISIL BBB/Stable
						15-03-17	CRISIL BBB/Watch Developing			19-02-15	CRISIL BBB/Stable	
Non Fund-based Bank Facilities	LT/ST	16.00	CRISIL A3+			08-08-17	CRISIL A3+	23-08-16	CRISIL A3+/Watch Developing	18-09-15	CRISIL A3+	CRISIL A3+
						15-03-17	CRISIL A3+/Watch Developing			19-02-15	CRISIL A3+	

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	4	CRISIL A3+	Bank Guarantee	3	CRISIL A3+
Cash Credit	16	CRISIL BBB/Stable	Cash Credit	16	CRISIL BBB/Stable
Letter of Credit	12	CRISIL A3+	Letter of Credit	12	CRISIL A3+
Term Loan	3.57	CRISIL BBB/Stable	Term Loan	3.41	CRISIL BBB/Stable
--	0	--	Working Capital Term Loan	1.16	CRISIL BBB/Stable
Total	35.57	--	Total	35.57	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Engineering Sector](#)

[CRISILs Criteria for Consolidation](#)

[CRISILs Criteria for rating short term debt](#)

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