

Rating Advisory

August 21, 2020 | Mumbai

Jay Ushin Limited

Advisory as on August 21, 2020

This rating advisory is provided in relation to the rating of Jay Ushin Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Change in parentage with a stronger credit profile
- Improvement in net cash accrual generation, with accrual to debt repayment ratio keeping over 1.3 times for an entire year
- Improvement in debt protection metrics

Downward factors

- Material changes in business agreements with customers leading to significant erosion of business
- Deterioration in capital structure with TOLTNW ratio deteriorating to more than 4.5 times
- Significant decline in revenue or profitability impacting cash accrual generation

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Jay Ushin Limited (JUL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If JUL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt.Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dt.June 30,2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the company

Incorporated in 1986, JUL is a joint venture (JV) between the JPM group (owned by Mr J P Minda and his sons, Mr Ashwani Minda and Mr Anil Minda) and U-Shin Ltd, Japan. It manufactures auto components such as lock and key sets, combination switches, heater control panels, and door latches for leading auto original equipment manufacturers (OEMs). It is headquartered in Gurugram and has manufacturing units in Gujarat; Chennai; Bengaluru; Manesar, Haryana; and Bhiwadi, Rajasthan. The company is listed on Bombay Stock Exchange.

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Rating Rationale

June 09, 2020 | Mumbai

Jay Ushin Limited

Ratings placed on 'Watch Developing'

Rating Action

Total Bank Loan Facilities Rated	Rs.125 Crore
Long Term Rating	CRISIL BB (Placed on 'Rating Watch with Developing Implications')
Short Term Rating	CRISIL A4+ (Placed on 'Rating Watch with Developing Implications')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has placed its ratings on the bank facilities of Jay Ushin Limited (JUL) on **'Rating Watch with Developing Implications'**

The rating action follows announcement on May 29, 2020 of an open offer for acquisition of up to 26% of voting share capital from public shareholders of JUL, over and above 26% held by JUL's JV partner, U-shin Limited (U-shin). This open offer is being tendered as per mandatory obligations under SEBI (SAST) Regulations, 2011 by Minebia Mitsumi Inc. (Minebia) and U-Shin.

Minebia is a Japan based company which currently owns 100% of common stock of U-Shin. Minebia acquired the 100% stock in several tranches beginning November 2018 and ending in August, 2019. U-Shin became wholly owned subsidiary of Minebia effective August 7, 2019. Minebia, thus, indirectly holds 26% of JUL.

The open offer, if fully accepted, will provide Minebia with additional 26% of voting share capital of JUL, i.e. 52% shareholding in total. Such an event can materially impact composition of Board and control of the current management over the day to day operations of JUL.

CRISIL has thus placed JUL's rating on Watch with Developing implications and will continue to monitor developments pertaining to the open offer. CRISIL will resolve the watch post the execution of open offer with clarity on any changes in shareholding and management and its impact on credit profile of JUL.

The ratings continues to reflect JUL's established market position in the automotive components industry and reputed clientele. These strengths are partially offset by low profitability and a modest financial risk profile.

Key Rating Drivers & Detailed Description

Strengths:

* **Established market position in the automotive components industry:** Benefits from the promoters' experience of over three decades, healthy relationships with customers and suppliers, and a diversified product profile should continue to support the business. Revenue has grown steadily year-on-year on account of JUL's presence in the two-wheeler, four-wheeler, and commercial vehicle segments.

* **Reputed clientele:** Customers comprise some of India's largest original equipment manufacturers (OEMs) such as Maruti Suzuki India Ltd (MSIL), Honda Cars India Pvt Ltd, Honda Motorcycle and Scooters Pvt Ltd, and Suzuki Motorcycle India Pvt Ltd. Nearly half the revenue is derived from the largest customer, MSIL.

Weaknesses:

* **Low profitability:** Operating margin has remained 2.3-4.0% in the three fiscals through 2019. However, profitability should remain stable over the medium term despite volatility in the prices of key raw materials (zinc and copper). Furthermore, there is no replacement market for these inputs. Although JUL revises its prices with key customers every quarter, it remains exposed to fluctuations in input prices. Better utilisation and cost absorption have improved margin over the last fiscal. Susceptible to cyclicity in the automobile industry persists too.

* **Modest financial risk profile:** Although networth was estimated to be comfortable at Rs 73 crore as on March 31, 2020, total outside liabilities to tangible networth (TOLTNW) ratio was likely to be high at around 3.7 times. Also, interest coverage ratio was estimated to be modest at 1.9 times for fiscal 2020.

Liquidity Stretched

Liquidity continues to remain under pressure. Net cash accrual is barely expected to cover debt obligation over the medium term. Current ratio is estimated to remain low at around 0.9 time, largely in line with previous fiscals.

To support liquidity during the lockdown period, JUL has requested its bankers to convert outstanding amounts in sales bill discounting facility to a working capital demand loan with a maturity period of 60 or 90 days. This will be paid off once receivables from customers are realised.

Furthermore, CRISIL continues to take comfort from rights approval from U-Shin Ltd, JUL's joint venture (JV) partner. The rights issue of Rs 50 crore was approved by U-Shin Ltd in 2013 and the company can avail of the amount if the need arises, depending on other approvals.

Rating Sensitivity factors

Upward factors

- * Change in parentage with a stronger credit profile
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Key Financial Indicators

As on/for the period ended March 31	Unit	2019	2018
Operating income	Rs.Crore	855.24	860.38
Reported profit after tax (PAT)	Rs.Crore	11.5	10.6
PAT margin	%	1.3	1.2
Adjusted debt/adjusted networth	Times	2.5	2.72
Interest coverage	Times	2.2	1.85

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.Crore)	Rating assigned with outlook
NA	Term Loan	NA	NA	Apr-2022	54.75	CRISIL BB/Watch Developing
NA	Foreign Currency Term Loan	NA	NA	Mar-2022	14.25	CRISIL BB/Watch Developing
NA	Sales Bill Discounting	NA	NA	NA	31	CRISIL A4+/Watch Developing
NA	Purchase Bill Discounting	NA	NA	NA	25.0	CRISIL A4+/Watch Developing

Annexure - Rating History for last 3 Years

		Current		2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	125.00	CRISIL BB/(Watch) Developing/ CRISIL A4+/(Watch) Developing	30-04-20	CRISIL BB/Stable/ CRISIL A4+	30-08-19	CRISIL BB+/Stable/ CRISIL A4+	26-09-18	CRISIL BBB-/Stable/ CRISIL A3	26-12-17	CRISIL BBB/Negative/ CRISIL A3+	CRISIL BBB/Stable/ CRISIL A3+
										01-11-17	CRISIL BBB/Negative/ CRISIL A3+	
Non Fund-based Bank Facilities	LT/ST		--		--		--		--	01-11-17	CRISIL A3+	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
Foreign Currency Term Loan	14.25	CRISIL BB/Watch Developing	Foreign Currency Term Loan	14.25	CRISIL BB/Stable
Purchase Bill Discounting	25	CRISIL A4+/Watch Developing	Purchase Bill Discounting	25	CRISIL A4+
Sales Bill Discounting	31	CRISIL A4+/Watch Developing	Sales Bill Discounting	31	CRISIL A4+
Term Loan	54.75	CRISIL BB/Watch Developing	Term Loan	54.75	CRISIL BB/Stable
Total	125	--	Total	125	--

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 Auto Component Suppliers](#)

[CRISILs Bank Loan Ratings](#)

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<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naureen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naureen.ahmed@crisil.com</p>	<p>Nitin Kansal Director - CRISIL Ratings CRISIL Limited D: +91 124 672 2154 nitin.kansal@crisil.com</p> <p>Himank Sharma Associate Director - CRISIL Ratings CRISIL Limited D: +91 124 672 2152 Himank.Sharma@crisil.com</p> <p>ANKUR KALRA Rating Analyst - CRISIL Ratings CRISIL Limited D: +91 124 672 2150 Ankur.Kalra@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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