

**JMW INDIA PVT LTD**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 74.37 Crores of JMW India Pvt Ltd.**

**Particulars:**

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May 2019)	Present
<b>Fund Based</b>	<b>38.50</b>	<b>46.87<sup>^</sup></b>	<b>Long Term</b>	<b>BWR BBB (Stable)</b>	<b>BWR BBB (Stable) (Reaffirmation)</b>
<b>Non-Fund Based</b>	<b>27.50</b>	<b>27.50</b>	<b>Short Term</b>	<b>BWR A3</b>	<b>BWR A3 (Reaffirmation)</b>
<b>Total</b>	<b>66.00</b>	<b>74.37</b>	<b>Rupees Seventy Four Crores &amp; Thirty Seven Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

<sup>^</sup> includes proposed long term fund based limits of Rs. 10 crs.

**RATING ACTION**

The reaffirmation in the ratings for the bank loan facilities of JMW India Pvt. Ltd. (JIPL or the company) favorably factors in the significant growth in the topline of the company as a result of the expansion in its product lines. The company created additional capacities for manufacturing of copper wire rods from copper scrap which fuelled the growth of ~90% in the revenues in FY19 and ~9% in FY20 (Prov.). Besides improvement in revenues, the company has registered improvements in its debt coverage ratios and debtor days also. There are slight improvements also visible in the margins, although the profitability continues to remain low. The company is expecting a drop in its business by over 10% in FY21 owing to the muted demand across the industries due to Covid-19. Although the company operates on a lean inventory, the volatility in the prices of copper may impact its profit margins to some extent, moving forward.

## OUTLOOK: STABLE

BWR believes that the business risk profile of JMW India Pvt. Ltd. will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## KEY RATING DRIVERS

### Credit Strengths:

- **Additional capacity aided revenue growth:** In an effort to diversify the product base, the company installed a capacity of ~19000 MTPA to manufacture copper rod wires from copper scrap at its Bhiwadi plant. The facility became operational in FY19 and has garnered traction from many price sensitive customers of Delhi-NCR region translating into a significant revenue growth.
- **Marginal Improvement in credit risk profile:** The company's ISCR and DSCR registered improvements in FY19 & FY20 (Prov.). These ratios stood as 1.77x & 1.90x respectively in FY19 & improved to 2.26x & 1.96x as per FY20 (Prov.). Although the Total Debt/TNW & TOL/TNW ratios deteriorated in FY19 as the company's borrowings increased due to debt funded CAPEX, these ratios have improved marginally in FY20 (Prov.). Its Total Debt/TNW ratio stood at 1.19x in FY19.
- **Comfortable debtor & inventory days:** The company's cash conversion cycle improved from 52 days in FY18 to 32 days in FY19. The company operates on lean inventory of 30-35 days & low debtor days of 26, hence a large portion of the working capital requirement is met through internal accruals only and hence the reliance on external debt is low.
- **Long experience of promoters in the industry:** The promoter, Mr Manoj Garg, has a long experience of around 15 years in trading of copper manufactured products which has helped him in establishing business relationships with reputed companies such as Havells, C&S, HPL, Legrand, Sudhir, Gindre, Power Grid, BHEL, BSNL, Indian Oil, L&T, Vijai Electricals etc. as the company turned to manufacturing from FY17 onward.
- **Diversified product line and wide applicability:** The company manufactures a variety of copper based products such as wire rods, Copper Strips, Paper covered copper strips/wire, bus bar etc and caters to manufacturers of transformer, electrical panel & electrical

motors, cable manufacturers etc.

### **Credit Risks:**

- **Low profitability indicating low value additivity:** The operating profit margin & net profit margin of the company stood at 2.07% & 0.49% in FY19, although marginally improving from previous year levels despite a significant growth in revenues. The raw material consumption to operating income stood high at 95% in FY19 depicting low value additivity. However, the company has aggressively priced its products to successfully penetrate the market. The company is hopeful of improving the margins as its revenues are stabilised in the future.
- **Volatile raw material prices:** There was a sharp correction in copper prices in FY19. The prices of the copper are volatile as the demand is cyclical in nature. Although the company operates on a lean inventory and uses copper scrap as its raw material, the fact that the company does not have long term offtake contracts may result in shrinking margins in the downturn.
- **Expected dip in revenues in FY21:** Although the company has started operations after the nationwide lockdown due to Covid-19, the overall demand for the products has remained weak in Q1FY21. Despite wide acceptability of its new product, the company expects a dip of more than 10% in its revenues in FY21.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

The ratings of JMW India Pvt. Ltd. are arrived at on a standalone basis after independent evaluation of its financial risk profile. For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating criteria detailed below (hyperlinks provided at the end of this rationale)

### **RATING SENSITIVITIES**

**Positive:** Ratings may be upgraded if the company's operating & net margins improve to a level of 3-4% & 1-2% respectively, with no incremental debt and other factors favoring an upgrade.

**Negative:** Ratings may be downgraded if the company's liquidity position becomes weak, the margins turning lower than present levels or any other factor necessitating a downgrade.

### **LIQUIDITY POSITION: ADEQUATE**

Adequate liquidity due to presence of sufficient internal cash accruals of Rs 8.79 Crs



(Prov.-FY20) against the maturing debt of Rs 1.39 Crores, low reliance on bank debt, moderate utilisation of bank limits (80-90%) and low inventory & receivable days resulting in a comfortable cash conversion cycle of 30 days. However, the current ratio of 1.11x in FY20 (FY20-Prev.) causes some concern on the liquidity side.

### **ABOUT THE COMPANY**

Promoted by Mr Manoj Kr. Jain, JMW India Pvt Ltd was incorporated in 1997 as a trading company and was involved in trading of copper wire rod & PVC resins which serves as raw material for cable manufacturers. From FY17, the company primarily shifted to manufacturing of copper wires/rods etc. & incurred significant capital expenditure at its Bhiwadi, Rajasthan plant in setting up a production line for manufacturing copper wire rods from copper scrap. The company presently has a total installed capacity of manufacturing over 30000 MTPA of Copper Wire Rod, copper wire strips, paper coated copper wires & strips etc.

### **KEY FINANCIAL INDICATORS**

<b>Key Parameters</b>	<b>Units</b>	<b>FY 19</b>	<b>FY 18</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Total Operating Income	Rs Crs	566.95	299.30
OPBDIT	Rs Crs	11.71	5.72
PAT	Rs Crs	2.78	1.39
Tangible Net Worth(TNW)	Rs Crs	45.05	42.28
Total Debt/TNW	Times	1.19	0.92
Current Ratio	Times	1.12	1.22

**Key Covenants of the Instrument/Facility rated: None**

**Non-cooperation with previous Rating Agency, if any: None**

**Rating History for the last three years (including withdrawn/suspended ratings)**

Facility/ Instrument	Current Rating				Rating History							
	22 June 2020				02 May 2019			2018	30 Aug 2017			
	Facility	Type	Amount	Rating	Facility	Amount	Rating		Facility	Amount	Rating	
Bank Loan Rating	FB	Long Term	46.87	BWR BBB (Stable)	FB	38.50	BWR BBB (Stable)	NA	FB	28.50	BWR BBB- (Stable)	
	NFB	Short Term	27.50	BWR A3	NFB	27.50	BWR A3		NFB	17.50	BWR A3	

**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**

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JMW India Pvt. Ltd.

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	SBI	Cash Credit	18.00	-	18.00
2		LC/BG	-	7.00	7.00
3	HDFC	Cash Credit	12.50	-	12.50
4		Term Loan	6.37	-	6.37
5		BG/LC/Bill Discounting	-	20.50	20.50
6	Proposed Long Term Limits		10.00	-	10.00
<b>TOTAL</b>			<b>46.87</b>	<b>27.50</b>	<b>74.37</b>

**Total Rupees Seventy Crores & Thirty Seven Lakhs only.**

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and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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