



Rating Rationale

JMW India Pvt Ltd

02 May 2019

Brickwork Ratings revises the long term rating and reaffirms the short term rating for the Bank Loan Facilities amounting to ₹ 66 Crores of JMW India Pvt Ltd ('JMW India' or 'the Company').

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2017)	Present
Fund based Working Capital Limits Term Loans	28.50 -	30.50 8.00	Long Term	BWR BBB - (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable (Upgrade)
Non Fund Based BG/LC/DRUL	17.50	27.50	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) (Reaffirmed)
Total	46.00	66.00	Rupees Sixty Six Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Long term rating upgraded to BWR BBB (Stable) and Short term rating reaffirmed at BWR A3

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The upgrade in the Company's long term rating primarily factors in the significant improvement in its turnover from manufacturing segment in 9MFY19 (Provisional), supported by the addition of value added products coupled with new customers added. JMW India incurred capex at its existing premises which also resulted increase in its revenue profile during 9MFY19 (Provisional). The ratings, further, continue to factor in the promoter's long experience with Company's established track record of more than 2 decades in this industry, reporting of adequate cash accruals available to service its annual debt obligations, comfortable gearing ratio despite increasing debt levels and satisfactory feedback from its existing lenders. BWR also notes that its liquidity position improved on account of fixed deposits amounting to



Rs. 8 Cr which were released by the Excise & Customs Dept, Jammu, and significant recovery of its old debtors in FY19.

The ratings, are however, constrained by lower profitability margins on account of low sales realisation coupled with price-based competition from other established manufacturers in this industry. The Company is also highly leveraged due to low EBITDA base. Thus the ability of the Company to sustain its turnover growth and improve its profitability margins significantly remains the key rating sensitivity.

Liquidity position of the Company

Though, JMW India reported adequate cash accruals for meeting its upcoming debt obligations, its liquidity profile continues to remain moderate owing to incremental working capital requirements coupled with above average utilization (>90%) in its limits throughout the year. Overall debt position has increased owing to capex incurred and increase in working capital requirements during FY19. JMW also reported old debtors (>6m) of around Rs. 10 Cr of which management confirmed that it has recovered of around Rs. 6 Cr and remaining is expected to be recovered in FY20. Thus, overall JMW needs to sustain its top line growth, generate adequate level of profitability margins and recover its remaining old debtors expediently in order to provide comfort to its liquidity position.

Further, Cash & Cash equivalents stood at Rs. 13.97 Cr (includes term deposits) during FY18. Fixed deposits of Rs. 8.24 Cr have already been released by Excise & Customs Dept. Jammu which were utilized for reduction in channel financing limits by Rs. 4.50 Cr and remaining for raw material purchase.

Description of Key Rating Drivers

Credit Strengths:

Significant turnover growth in FY19: Turnover from its manufacturing activity increased significantly by ~ 69% from Rs. 171 Cr to Rs. 289 Cr during FY18 and further to Rs. 410.89 Cr in FY19. After GST implementation, the management strategically decided to cut down its turnover from trading activity and thus, at present, the entire turnover is generated from manufacturing activity. Turnover increased during 9MFY19 on account of capex incurred for manufacturing new value added products coupled with the addition of new customers.

Capex incurred during FY19: JMW India incurred capex of around Rs. 12 Cr at its existing premises at Bhiwadi, Rajasthan. This is the value addition to its current product profile as this new unit manufactures Continuous Cast Copper Rods (CCR). This unit became operational in July 2018, and has a total installed capacity of 40 tons per day. JMW India has availed term loan of Rs. 8 Cr for the said capex and remaining was raised through promoter's funds and internal accruals.



Comfortable financial risk profile: JMW India's financial risk profile remains comfortable despite increasing debt levels during FY19. It reported adequate promoter contribution over the past three years. Gearing ratio of the Company stood at 0.92x with TNW of Rs. 42.28 Cr during FY18. However, gearing is estimated to increase in FY19 on account of new term loan availed for the capex.

Experienced promoters with established track record: The Company benefits from the long term experience of the promoters in this industry. Mr. Manoj Kumar Jain, Managing Director, has an experience of over two decades in this business. Presently, he looks after the overall operations of the Company. Other director of the Company is Mr. Ashish Jain who looks after the production and cable business.

Adequate cash profits reported: Though JMW India reported lower profitability margins, its cash profits remain adequate to service its upcoming debt obligations. Its cash profits improved significantly from Rs. 2.73 Cr to Rs. 2.88 Cr during FY18 and further to Rs. 4.24 Cr during 9MFY19.

Credit Risks:

Lower profitability margins: Profitability margins of the Company remained below 1x over the past three years on account of limited value addition involved in its products. This, coupled with intense competition from other small and large players in this industry, having low entry barriers, keeps price-based competition in the market.

Highly leveraged: JMW India's operations remained highly leveraged as EBITDA/Total Debt stood high at 5.35x in FY18. This position was mainly due to low EBITDA base over the past three years. Thus, ability of the Company to sustain its turnover growth and improve its profitability margins significantly remains the key rating sensitivity.

Analytical Approach

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 Outlook: *Stable*

To aid value added products, JMW India incurred debt funded capex, which resulted in high turnover growth during FY19. BWR believes the **JMW India Pvt Ltd's** business risk profile 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 JMW India able to improve its profitability margins by significant numbers coupled with sustain its turnover levels & gearing profile, able to recover its remaining old debtors and expand its existing customer base over the medium term. The rating outlook may be revised to 'Negative' if JMW India continues to report low profitability margins, increase overall debt levels coupled with turnover growth show lower than expected figures.

About the Company

JMW India Pvt. Ltd. was , incorporated in the year 1997. It is engaged in the manufacturing & trading of Oxygen Free Copper (OFC) rods and strips. It has two manufacturing units, located at Jammu and Bhiwadi (Rajasthan) with a total installed capacity of manufacturing 10,000 MTPA of Oxygen Free Copper (OFC) rods, OFC strips and paper covered copper strips. JMW further diversified their product profile & aided value addition by making Copper conductors, Strip, and busbars along with Paper Covered Strip having installed capacity of 3000 Tons per annum. It supplies products mainly to power transformer manufacturers & other big companies like BHEL, Chittaranjan Locomotives Works (CLW) etc. JMW India is also registered with BHEL & other major public limited companies as an approved vendor and is supplying to them on a regular basis.

Company Financial Performance

Below are the key financial figures of the Company:

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. Crores	300.82	362.26
EBITDA	Rs. Crores	7.25	7.05
PAT	Rs. Crores	1.39	1.45
Tangible Net worth	Rs. Crores	42.28	40.88
Total Debt/Tangible Net worth	in Times	0.92	0.79
ISCR	in Times	1.55	1.49

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	30 Aug 2017	30 March 2016
1	Fund Based	Long term	38.50	BWR BBB (BWR Triple B) (Stable Outlook) (Upgrade)	Rating Not Reviewed	BWR BBB - (BWR Triple B Minus) (Stable Outlook) (Reaffirmed)	BWR BBB - (BWR Triple B Minus) (Stable Outlook)
2	Non Fund Based	Short term	27.50	BWR A3 (BWR A Three) (Reaffirmed)	Rating Not Reviewed	BWR A3 (BWR A Three) (Reaffirmed)	BWR A3 (BWR A Three)
Total			66.00	₹ Sixty Six Crores Only			

Status of non-cooperation with previous CRA (if applicable)-N.A.

Any other information: Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.



DISCLAIMER

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