

JAY FE CYLINDERS LIMITED

Brickwork Ratings reaffirmed Long Term ratings and Short Term ratings (Rating under watch with developing implications) for the bank loan Facilities of ₹ 99.25 Crores of Jay Fe Cylinders Limited.

Particulars :

Facility/ Instrument**	Previous Amount(₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (March, 2019)	Present Rating
Fund based Cash Credit Limit	15.00	15.00	Long Term	BWR BBB Stable Assigned	BWR BBB (Rating under watch with developing implications) Reaffirmed
Fund Based Bill Discounting	20.00	20.00	Short Term	BWR A3 Assigned	BWR A3 (Rating under watch with developing implications) Reaffirmed
Non Fund Based Letter of Credit Letter of Credit* Capex L.C	45.00 40.00 19.25	45.00 19.25	Short Term	BWR A3 Assigned	BWR A3 (Rating under watch with developing implications) Reaffirmed
Total	139.25	99.25	INR Ninety Nine Crores Twenty Five Lakhs Only		

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

** Details of Bank facilities/is provided in Annexure-I.

RATING ACTION/OUTLOOK

BWR has reaffirmed the long term rating of BWR BBB (Rating under watch with developing implications) and Reaffirmed short term rating of BWR A3 (Rating under watch with developing implications) for bank facilities of Jay Fe Cylinders limited.

The ratings take into account the extensive experience of the promoter in the manufacturing and marketing of automotive components for more than 50 years and moderate financial risk profile along with a reputed client base. However the rating is constrained by low profitability margins, intense competition in the industry along with merger execution risk.

BWR believes that the business risk profile of Jay Fe Cylinders Limited will be maintained over the medium term. The rating outlook may be revised to Positive if there is a significant improvement in profitability margins, along with current ratio. The rating outlook may be revised to 'Negative' if there is any further deterioration in the financial risk profile of the company.

OUTLOOK: Rating Under Watch with Developing Implications : The change in the rating outlook from 'Stable' to 'Rating under watch with developing implications' takes into account as the company is under process of merger with their associate concern M/s Lizer Cylinders Limited and the merged entity will be in the name of M/s Jay Fe Cylinders Limited as per Order No CAA-92/PB/2019 order dated 11.05.2020 of NCLT, New Delhi which shall be implemented with an appointed date 12.06.2019.

KEY RATING DRIVERS

Credit Strengths:

- 1. Experienced Promoters and long track record of business:** JPM Group was formed by Mr Jaideo Prasad Minda in the year 1959 which is now taken forward by his son Mr Ashwani Minda. Mr JP Minda is B.E (Electrical) BITS, Pilani and has 58 years of experience in the manufacturing and marketing of automotive components. The other promoter Mr Ashwani Minda is B.tech from IIT Delhi. The group has 11 companies engaged in the manufacturing of automobile parts and energy products like batteries, e-rickshaws, energy meters etc.
- 2. Moderate Financial Risk Profile :** The company revenues have improved Y-O-Y from Rs 192.77 crores in FY18 (Audited) to Rs 284.05 crores in FY19 (Audited). The company has moderate net worth of Rs 52.07 crores in FY19 (Audited). The company has moderate debt service indicators with ISCR of 2.62 Times and Debt Service Coverage Ratio of 1.67 Times in FY19 (Audited). The company gearing level stood low at 1.36 Times in FY19 (Audited).

Credit Risks:

- 1. Low Profitability Margins:** The company has low profitability marked with low net profit margins of 0.69% and Operating Profit Margins of 4.96% in FY19 (Audited).
- 2. Intense competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.
- 3. Merger Execution Risk :** The company is under process of merger with one of the associate and execution of merger within timeline and fully compliant to various regulations/orders issued by various regulators, carries risk.

Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone approach for the Company. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, improvement in profitability margins and current ratio will be the key rating sensitivities.

Positive : The rating will be upgraded if the company is able to improve their profitability margins, and able to improve their current ratio.

Negative : The rating will be downgraded if there is any deterioration in the financial Risk Profile of the company.

LIQUIDITY POSITION : Adequate

The company has associate concerns with the name of Jay Ace Technologies Private Limited, Lizer Cylinders, Jay Iber Medior Limited, Jay Ushin Limited, JNS Instruments Limited, JPM Automobile limited, JPM Tools Limited, JJF Casting, JNJ Electronics Limited, Jay Iron and Steels Limited and JPM Industries Limited. The company has done sales of cylinders with Lizer cylinders of Rs 85.48 crores and purchase of cylinders of Rs 43.98 crores. Rs 0.53 crores rent paid to Jay Ushin Limited, and Purchase of Automotive batteries of Rs 1.38 crores to Jay Ace technologies limited in FY19 (Audited).

The company has current investments of Rs 4.68 crores in the form of FDRs and has cash & bank balances in FY19 (Audited) is Rs 0.35 crores. The company has average utilisation of 46% of there cash credit limit from the last six months. The company has long term debt of Rs 8.48 crores term loan from Bank in FY19(Audited). The company has a current portion of long term liabilities of Rs 3.19 crores in FY19 (Audited). The company has healthy cash accruals of Rs 6.96 crores in FY19 (Audited). The company has Interest Service Coverage Ratio of 2.62 Times and Debt



Service Coverage Ratio of 1.67 Times in FY19 (Audited). The current ratio has been 1.14 as at FY19(Audited). The company has a conversion cycle of 39 days due to high payables of 53 days and inventory of 24 days in FY19 (Audited).

About the Company

Jay Fe Cylinders Limited incorporated in 2008, is an ISO 9001: 2008 and ISO/TS 16949: The company is engaged in manufacturing of high pressure seamless cylinders (CNG Cylinders) for storage of high pressure gases such as compressed natural gas for the auto industry. The manufacturing plant is situated in Bawal, District Rewari, Haryana and has its registered office at New Delhi. The company is managed by Mr Ashwani Minda and Jai Deo Prasad Minda. Jay Fe Cylinders Limited is a part of JPM Group formed by Mr Jaideo Prasad Minda in the year 1959. Group has nationwide operations with about 11 companies engaged in manufacturing of automobile parts electronics and energy products like batteries, e-rickshaws, energy meters etc. As per Order No CAA-92/PB/2019 order dated 11.05.2020 of NCLT, New Delhi, Jay Fe Cylinders Limited is merged with their associate concern M/S Lizer Cylinders Limited and the merged entity will be in the name of M/S Jay Fe Cylinders Limited. which shall be implemented with an appointed date 12.06.2019.

Key Financial Indicators

Key Parameters	Units	FY19 (Audited)	FY18 (Audited)
Result Type			
Operating Revenue	₹ Cr	284.05	192.77
EBITDA	₹ Cr	13.33	5.88
PAT	₹ Cr	1.95	1.37
Tangible Net worth	₹ Cr	52.07	50.12
TD:TNW	Times	1.36	0.51
Current Ratio	Times	1.14	1.42

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : Care BB+/A4+ Stable as Issuer Not Cooperating on 23.07.2019.

Rating History for the last three years (Including Withdrawal and Suspended)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Current Rating	2019	2018	2017
1.	Fund Based Cash Credit Limit	Long Term	15.00	BWR BBB (Rating under watch with developing Implications) Reaffirmed	BWR BBB Stable Assigned	NA	NA
2.	Fund Based Bill Discounting	Short Term	20.00	BWR A3 (Rating under watch with developing Implications) Reaffirmed	BWR A3 Assigned	NA	NA
3.	Non Fund Based Letter of Credit Capex L.c	Short Term	45.00 19.25	BWR A3 (Rating under watch with developing Implications) Reaffirmed	BWR A3 Assigned	NA	NA
Total			99.25	Ninety Nine Crores Twenty Five Lakhs ₹ Only			



COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to Financial Ratios

Services Sector

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Jay Fe Cylinders Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term/ Short Term (₹ Cr)	Total (₹ Cr)
1	HDFC Bank	<u>Fund Based</u>		
		Cash Credit Limit	15.00	99.25
		Term Loan (Sub limit of Capex L.C)	(8.48)	
		Bill Discounting	20.00	
		Buyer Credit (Sub limit of C.C)	(33.00)	
		LC/BC- (Sub limit of Bill Discounting)	(15.00)	
		Letter of Credit	45.00	
		Bank Guarantee (Sub Limit of CC)	(1.00)	
		Capex L.C	19.25	
		PSR Limit (Sub Limit of LC)	(5.60)	
		SBLC- BC (Sub limit of Bill Discounting)	(55.00)	
TOTAL : INR NINETY NINE CRORES TWENTY FIVE LAKHS ONLY				99.25



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