

Rating Report

Brickwork Ratings assigns BWR BBB –/A3 for the Bank Loan facilities of Rs. 46.00 Crores of JMW India Pvt Ltd

Brickwork Ratings assigns the following **Ratings¹** for the Bank Loan facilities of Rs. 46 Crores of JMW India Pvt. Ltd (JMW or the ‘company’):

Facility	Limits (Rs. Crs)	Tenure	Rating [^]
Fund based – Cash Credit	28.50	Long term	BWR BBB – (BWR Triple B Minus) (Outlook : Stable)
Non-Fund Based – Bank Guarantee	17.50	Short Term	BWR A3 (BWR A Three)
Total	Rs. 46.00 Crores (INR Forty Six Crores Only)		

BWR has principally relied upon the audited financial results of JMW upto FY15, provisional performance for 9M FY16, projected financials upto FY17, information/clarifications provided by the company and other publicly available information.

The assigned ratings derive comfort from the extensive experience of the promoters in the copper wire rods industry, consistent improvement in its top line by introducing new value added products, comfortable capital structure as reflected at adequate networth against its total debt coupled with absence of term debt and average working capital management with moderate operating cycle. The ratings, however, are constrained by low profitability margins and exposure to risk arising from the volatility in raw material prices.

Company Profile

JMW India Pvt Ltd (JMW), Delhi was established in 1997 as a private limited company. JMW is engaged in the manufacture and trade of Oxygen Free Copper (OFC) rods and strips. Currently, it has two manufacturing units, located at Jammu and Bhiwari (Rajasthan), with a total installed capacity of 10,000 MTPA of OFC rods, OFC strips and paper covered copper strips. In the current financial year, JMW has diversified its product profile by introducing copper conductors, strips, bus bars along with paper covered strip with a total installed capacity of 3000 MTPA. It supplies products mainly to power cable and transformer manufacturing industries.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Ownership & Management

JMW been promoted by Mr. Manoj Kumar Jain, Managing Director, who has over two decades of experience in the copper industry. He looks after the overall business activities of the company. Mr. Ashish Jain, one of the directors, oversees production activity of the company.

Financial Performance

Top line of the company increased from Rs. 307.73 Crs in FY14 to Rs. 321.68 Crs on account of increase in sales from trading activity. Trading activity contributed 41.55% of the total turnover generated in FY15. JMW's operating profit declined slightly from Rs. 5.53 Crs in FY14 to Rs. 4.91 Crs in FY15. However, the same is expected to improve on account of introducing value-added high margin products in the current financial year.

JMW's total tangible networth stood at Rs. 36.99 Crs against the total debt of Rs. 26.62 Crs in FY15.

Key Risk Determinants

JMW has reported consistent top line growth over the past three years. Top line of the company has increased consistently despite of decline in copper prices in the overall market. The consistent growth mainly due to established clientele coupled with extensive experience of the promoters in copper wire industry.

However, JMW's profitability margins remain at low level mainly due to limited value addition to its finished products. However, the same is expected to improve as JMW has started focusing on Busbar and Cables which is a value added product, having high margins. As per provisional submitted by the company, operating margins improved from 1.51% in FY15 to 2.72%.

JMW's financial risk profile is at the comfortable level reflecting at the gearing of 0.75 times in FY15 as against 0.65 times in FY14. JMW is availing only working capital limits from the banks and have no term debt borrowings as on date. Further, JMW has not planned for any debt-funded capex over the medium thus gearing will remain at the comfortable level.

Working capital management has improved with a moderate operating cycle of 36 days as on March 31, 2015 (P.Y. 34 days) which is almost similar up to Dec-FY16. About 80% of the company's sales are backed by LC, which the company discounts with banks, thereby strengthening the company's liquidity position. JMW's average utilization of fund based limits stood moderate at 80% during the trailing 12 months ended Jan 2016, this adds 20% of cushion as margin with the company. Furthermore, the company had free cash balances of Rs.2.68 crore as on March 31, 2015.

Rating Outlook

JMW's top line has improved consistently from the past two years. However, net margins remain at less than 1 per cent during the same year.

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to maintain its top line growth and improve its profitability margins significantly, improve its interest coverage metrics, maintain its capital structure and working capital management would remain the key sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

JMW India Pvt. Ltd
Annexure I – Profit & Loss Account

Crores	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Gross Sales	124.29	212.46	198.68
Traded Goods Sales	72.60	118.15	143.06
Excise Duty/Sales Tax	13.73	22.88	20.06
Net Sales	183.17	307.73	321.68
Other Operating Income	5.41	5.04	3.50
Total Operating Income	188.58	312.77	325.18
Operating Expenses	184.29	307.24	320.27
OPBDIT	4.29	5.53	4.91
Depreciation	1.16	1.47	1.28
OPBIT	3.13	4.06	3.63
Interest and Finance Charges	2.01	2.62	3.37
OPBT	1.11	1.43	0.26
Non-Operating Income(Expenses)	0.24	0.48	1.81
PBT	1.36	1.92	2.07
Provision for Taxes	0.39	0.53	-0.53
PAT	0.96	1.39	2.59

JMW India Pvt. Ltd
Annexure II – Balance Sheet

Crores	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	33.01	34.40	36.99
Share capital	6.00	6.00	6.00
Reserves and Surplus	27.01	28.40	30.99
Non-current liabilities	0.33	0.12	0.12
Long-Term Borrowings	0.24	0.03	0.00
Deferred tax Liabilities (Net)	0.02	0.01	0.00
Long-Term Provisions	0.07	0.08	0.11
Current liabilities	39.87	45.16	76.64
Short-Term Borrowings	21.21	24.54	26.59
Current Portion Of Long Term Debt	0.19	0.52	0.03
Trade Payables	17.74	18.64	42.98
Other Current Liabilities	0.47	0.48	7.02
Short-Term Provisions	0.26	0.98	0.02
Total Liabilities	73.21	79.67	113.75
ASSETS			
Non-current assets	16.72	15.40	14.52
Net Fixed assets	14.87	13.67	12.83
Non-Current Investments	0.05	0.05	0.05
Long Term Loans and Advances	1.80	1.68	1.57
Other Non-Current Assets	0.00	0.00	0.00
Current assets	56.48	64.28	99.23
Inventories	15.32	19.12	11.86
Trade Receivables > Six Months	2.79	3.42	0.93
Trade Receivables < Six Months	29.47	30.68	66.95
Cash and Cash Equivalents	3.39	6.06	11.65
Short-Term Loans and Advances	4.97	4.38	7.18
Other Current Assets	0.53	0.62	0.68
Total Assets	73.21	79.67	113.75

JMW India Pvt. Ltd
Annexure III – Ratio Analysis

Particulars	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Total Debt	21.64	25.09	26.62
Total Debt (Analyzed)	21.59	24.29	26.62
Tangible Net Worth	33.01	34.40	36.99
Capital Employed	54.66	59.49	63.62
Total Debt/TNW	0.66	0.73	0.72
Total Debt/TNW(Analyzed)	0.65	0.69	0.72
Long Term Debt/TNW	0.01	0.00	0.00
TOL/TNW	1.22	1.29	2.08
ISCR	2.13	2.11	1.46
DSCR	2.06	1.95	1.86
Net Cash Accruals/Total Debt	0.10	0.11	0.15
Net Profit Margin	0.51	0.44	0.80
Operating Profit Margin	2.27	1.77	1.51
ROCE	5.72	7.11	5.89
Current Ratio	1.42	1.42	1.29
Days Receivables	64	39	58
Days Inventory	31	21	18
Days Payable	36	22	37
Conversion Cycle	60	38	39