

July 30, 2021 *Revised*

Janatics India Private Limited: Issuer rating reaffirmed; bank lines rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	-	[ICRA]A (Stable); Reaffirmed
Cash Credit	6.00	6.00	[ICRA]A (Stable); Reaffirmed and withdrawn
Unallocated Limits	57.00	57.00	[ICRA]A (Stable); Reaffirmed and withdrawn
Total	63.00	63.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation continues to positively factor in the healthy operational profile of Janatics India Private Limited (Janatics), characterised by its established position with a track record of over 35 years in the pneumatic components industry and the considerable experience of the promoters spanning over five decades in the industry. Further, the rating favourably considers the company's strong financial risk profile marked by comfortable capital structure, robust debt-coverage indicators decent profit margins and healthy cash and bank balances. The rating also continues to draw comfort from Janatics' diversified clientele catering to various industries, which mitigates the risk of any downturn in a particular industry segment.

The rating is, however, constrained by the company's moderate scale of operations and the intense competition from large multi-national companies, unorganised sector and imports, which limits its pricing flexibility to an extent. The rating also factors in the vulnerability of its profitability to fluctuation in raw material prices and foreign exchange rates. Nonetheless, the company's established profile in the pneumatic components industry and the presence of customers from diverse end-user industries mitigate the risk to some extent.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that the company will maintain its healthy credit profile in the medium term, aided by established market position and decent brand presence.

ICRA has withdrawn the ratings assigned to the bank facilities of Janatics India Private Limited at the request of the company and based on the No Dues Certificate received from the banker.

Key rating drivers and their description

Credit strengths

Established track record in pneumatic components segment - Janatics is one of the major players operating in the pneumatic components space for over 35 years, manufacturing different product variants under different categories such as air cylinders, directional control valves, air preparation units and didactic systems. The company's operations are at present managed by Mr. J. Ganeshkumar and Mr. G. N. Balachandar, who have extensive experience in the pneumatic components sector.

Diversified clientele mitigates risk of any industry-specific downturn - Janatics' products find use in various industries such as pharmaceuticals, automotive, packaging, food processing, textile, railways. The company caters to a diversified industry, which mitigates the risk of any downturn in a particular industry.

Strong financial risk profile - The company's capital structure is comfortable, marked by almost nil debt on its books and net worth base of Rs. 153.8 crore as on March 31, 2021 (provisional financials). Its coverage indicators are robust as reflected by interest coverage of 76.0 times, Total Debt/OPBITDA of 0.0 times and NCA/TD of 6163% in FY2021. Also, the company's profitability and return indicators are decent as marked by an operating profit margin of 12.0% and RoCE of 20.2% in FY2021.

Credit challenges

Moderate scale of operation and intense competition - The company's scale of operations remains moderate as marked by a revenue of Rs. 274.8 crore in FY2021. The company's revenue remained flat in FY2021 owing the effects of Covid-19, which resulted in weak performance in Q1FY2021. Despite this, the company was able to ramp-up its revenue from Q2FY2021 onwards, enabling it to achieve a revenue similar to the previous year, i.e., FY2020. In the pneumatics component industry, Janatics has to compete with other established multinational companies who leverage on their global presence, smaller companies from the unorganised sector and imports. This limits Janatics' pricing flexibility. Nonetheless, ICRA notes that the company has been able to maintain decent operating profit margin over the years.

Susceptibility of operations and profitability to variation in raw material prices and foreign currency fluctuations - The company's operating profitability remains vulnerable to volatility in raw material prices on the back of high inventory holding position. Further, the company's profitability remains exposed to foreign currency fluctuations owing to import of raw materials and marginal export sales.

Liquidity position: Strong

Janatics' liquidity position is strong, marked by healthy accruals from operations and almost nil debt on its books. The company's liquidity position is further strengthened by healthy free cash and bank balances as on March 31, 2021.

Rating sensitivities

Positive factors:

- Significant scale up of operations while maintaining healthy return indicators

Negative factors:

- Negative pressure on the company's ratings could arise if the profitability deteriorates or working capital cycle gets elongated. Specific credit metric that ICRA could look at for a rating downgrade is Total Debt/OPBDITA of 2.0 times or above on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on Withdrawal of Credit Ratings
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the company's standalone financial profile

About the company

Incorporated in 1991, Janatics India Private Limited manufactures pneumatic components, which are marketed under its own brand 'Janatics'. The company has around 3,500 different products that find use in various industries such as pharmaceuticals, automotive, packaging, printing, food processing, medical equipment, and textile. The company traces its roots to the business set up by first-generation entrepreneurs, Mr. G. C. Nageswaran and Mr. K. Jaganathan in 1977, wherein they manufactured customised pneumatic cylinders and valves for the textile industry. The company currently operates out of a newly constructed facility in Seerapalayam, Coimbatore.

Key financial indicators

	FY2020	FY2021 Provisionals
Operating Income (Rs. crore)	275.9	274.8
PAT (Rs. crore)	21.7	21.3
OPBDIT/OI (%)	12.7%	12.0%
RoCE (%)	21.8%	20.2%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.4
Total Debt/OPBDIT (times)	0.1	0.0
Interest Coverage (times)	22.6	76.0
DSCR (times)	19.7	64.3

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year). * profit before tax for Dalkan Ship Breaking Ltd.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2021 (Rs. crore)	Date & Rating	Date & Rating	Date & Rating	
					in FY2021	in FY2020	in FY2019	
					Jul 30, 2021	Apr 07, 2020	-	Jan 04, 2019
1	Issuer Rating	Long-term	-	-	[ICRA]A (Stable)	[ICRA]A (Stable)	-	-
2	Cash Credit	Long-term	6.00	-	[ICRA]A (Stable); Withdrawn	[ICRA]A (Stable)	-	[ICRA]A (Stable)
3	Unallocated Limits	Long-term	57.00	-	[ICRA]A (Stable); Withdrawn	[ICRA]A (Stable)	-	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash Credit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer Rating	NA	NA	NA	NA	[ICRA]A (Stable)
NA	Cash Credit	NA	NA	NA	6.00	[ICRA]A (Stable); Withdrawn
NA	Unallocated Limits	NA	NA	NA	57.00	[ICRA]A (Stable); Withdrawn

Annexure-2: List of entities considered for consolidated analysis – Not applicable

Corrigendum

Document dated July 30, 2021 has been corrected with revision as detailed below:

Policy on withdrawal of ratings has been included.

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