

Janatics India Private Limited

Instrument	Amount (In Rs Crore)	Rating Action August 2016
Long Term, Term loan	23.00	[ICRA]BBB+ (Stable) re-affirmed
Long Term, fund based limits	36.00	[ICRA]BBB+ (Stable) re-affirmed
Short term, non-fund based facilities	4.00	[ICRA]A2 re-affirmed

ICRA has re-affirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) for the Rs. 23.00 crore term-loans and the Rs. 36.00 crore¹fund based facilities of Janatics India Private Limited ("Janatics"/ "the company"). The outlook on the rating is Stable. ICRA has also re-affirmed the short-term rating of [ICRA]A2 (pronounced ICRA A two) for the Rs. 4.00 crore non-fund based bank limits of Janatics². The outlook on the long term rating is Stable.

The re-affirmation of ratings takes into account the established market position and track record of the company in the pneumatic components business; the brand recognition built through its extensive distribution network established throughout the country. ICRA also takes into account, Janatics' robust revenue growth in the last five years driven by consistent customer acquisitions in the domestic market and continuous innovation of its product line in the pneumatic cylinder and valve categories. ICRA also takes into account the healthy profitability over the years supported by improved economies of scale and logistics benefits. As per trends witnessed in the current year, Janatics is expected to post a y-o-y revenue growth of 10-12% driven by improved demand from engineering and automobile segments and register consistent margins as well. The ratings continue to draw comfort from Janatics' diversified clientele catering to various industries, which mitigates risk of any downturn in a particular segment — as evidenced by steady positive revenue growth in the last five years.

The ratings are, however, constrained by Janatics' sizable debt funded cap-ex over the FY 2016 amid weaker than expected accretion resulting in a leveraged capital structure. Increased debt levels have resulted in high gearing of 1.12 times and also weaker coverage and debt-protection indicators. The ratings also consider the intense competition from large multi-national companies as well as from cheaper imports from China which leads to pricing pressures, exposing Janatics' margins to volatility in raw material prices and forex rates.

Company Profile

Janatics India Private Limited, incorporated in the year 1991 is engaged in the manufacture of pneumatic components which is marketed under its own brand "Janatics". The company has over 2500 different products that find use in various industries such as pharmaceuticals, automotive, packaging, printing, food processing, medical equipment, textile, among others. The company traces its roots to the business set up by first-generation entrepreneurs Mr. G. C. Nageswaran and Mr. K. Jaganathan in the year 1977, and commenced operations by developing customised pneumatic cylinders and valves for the textile industry. Janatics operate out of their newly constructed highly advanced facility in Seerapalayam, Coimbatore. Janatics also operates an in-house Dept. Of Scientific and Industrial Research (DSIR) approved R&D centre. The day-to-day operations of Janatics' are currently managed by the second generation of the promoter family.

For FY 2016 Janatics provisionally reported a PAT of Rs. 10.0 crore on an operating income of Rs. 201.4 crore as against a PAT of Rs. 7.4 crore on an operating income of Rs. 175.9 crore, in FY 2015.

December 2016

¹ 100 lakh = 1 crore = 10 million

² For a complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

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