May 21, 2021

Jiangyin Uni-Pol Vacuum Casting India Pvt. Ltd.: [ICRA]BBB(Stable)/[ICRA]A3+ assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Working Capital	91.00	[ICRA]BBB(Stable) assigned
Long-term Fund-based – Term Loan	57.00	[ICRA]BBB(Stable) assigned
Long-term / Short-term – Interchangeable	(91.00)	[ICRA]BBB(Stable) / [ICRA]A3+ assigned
Long-term / Short-term – Unallocated	52.00	[ICRA]BBB(Stable) / [ICRA]A3+ assigned
Total	**200.00**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings assigned factor in the long-standing experience of the promoter group Uni-Pol[1] in the automotive components manufacturing industry, and the operational synergies enjoyed by Jiangyin Uni-Pol Vacuum Casting India Pvt. Ltd. (JUPL) by virtue of being a part of the Uni-Pol Group. Uni-Pol has a global presence with manufacturing facilities in China, India, Mexico and UK, and sectoral diversification with its end products used in the automotive, aerospace and medical sectors. The company shares well-established relations with reputed clients in the turbocharger segment with healthy wallet share globally. JUPL, along with other Group entities, manufactures turbine wheels used in the automotive and aircraft turbochargers, and has a strong presence in the domestic as well as overseas markets, which provides revenue visibility. Furthermore, its geographically diversified customer base provides cushion against region-specific operational risks to an extent. Considerable revenue contribution from exports provides JUPL with natural hedging, given the sizeable imports from the company.

The ratings, however, remain constrained by JUPL's modest scale of operations, moderately leveraged capital structure and high working capital intensity. The revenue base is expected to expand with incremental revenue contribution from JUPL's Mexican subsidiary (UPM Casting SA DE CV), coupled with revenue expansion through capacity expansion in the Indian unit. JUPL also demonstrates high working capital intensity (54% in FY2021, provisional) on the back of extended receivables cycle from the export segment. However, its liquidity position remains adequate backed by buffer from the undrawn working capital facilities. The capital structure remains moderately leveraged with a gearing of 0.9 times as on March 31, 2021 (provisional), with further debt addition anticipated, given the sizeable near-term debt-funded capital expenditure lined up. However, timely support from the parent entity in the form of equity infusion provides certain comfort to JUPL's capital structure.

The Stable outlook on the long-term rating reflects ICRA's expectations that JUPL will continue to benefit from its established presence in the automotive sector, with diversification into aerospace and medical sectors likely to provide further growth opportunities to the company and the Group.

[1] Jiangyin Uni-Pol Company Limited, China and its subsidiaries

Key rating drivers and their description

Credit strengths

Vast experience of the promoter group in automotive components manufacturing industry – JUPL is a part of the Uni-Pol Group, which has an established global presence in the turbine wheels space since 1972, with its manufacturing units located in China, India, Mexico and UK. JUPL benefits from such established track record of the Group and its wider presence across the globe. The company enjoys technological, financial and operational support from the parent entity, which has resulted in steady growth over the period under consideration.

Established relations with reputed clients with healthy wallet share – JUPL enjoys established relations with reputed clients, i.e. the turbocharger manufacturers from automotive and aerospace sectors. Such seasoned relations with few of the leading turbocharger manufacturers across the globe provide JUPL with sufficient revenue visibility and healthy wallet share through long-term contracts. The limited competition and fully-organised nature of the turbine wheel manufacturing provides the existing players with considerable growth opportunities.

Geographically diversified customer base provides cushion against region-specific operational risks – JUPL's clientele comprises domestic as well as overseas clients, with increasing share from exports revenue over the years. The company exports turbine wheels to overseas markets such as Europe and North Americas. Such geographically diversified customer base provides JUPL with cushion against region-specific operational risks. Furthermore, exports provide natural hedging to an extent, given the considerable imports from the company.

Credit challenges

Modest scale of operations; diversification into aerospace and medical applications offset some impact of electrification in automobile industry – With a revenue of Rs. 276.65 crore in FY2021 (provisional), JUPL demonstrates a modest scale of operations. However, the company has reported steady growth in its revenue base over the period under consideration, and is expected to continue its growth momentum with incremental revenue contribution from the Mexican subsidiary as well as expansion plans. At present, it is expanding the capacity of its existing plant to 10.0 million units per annum from 8.0 million units per annum. It also plans to set up a new manufacturing unit with a capacity of ~5.0 million units per annum to cater to the customers from the automotive, aerospace and medical industries. Such sectoral diversification is likely to offset some impact of electrification in the automobile industry going forward.

High working capital intensity due to extended receivables cycle from exports segment, though liquidity position is adequate – JUPL demonstrates high working capital intensity (54% in FY2021, provisional), given the extended receivables cycle from the exports segment. It reported 190 debtor days in FY2021 (provisional), underlining its extended receivables position. However, JUPL's liquidity position remains adequate, providing comfort to its working capital requirements, despite having an extended receivables position.

Moderately leveraged capital structure; further debt addition anticipated following sizeable near-term debt-funded capital expenditure – With a gearing of 0.9 times as on March 31, 2021 (provisional), JUPL's capital structure remains moderately leveraged. Working capital borrowings and term loans disbursed to fund past capital expenditure dominate its debt profile, with further debt addition anticipated following sizeable debt-funded capital expenditure lined up over the near term. Therefore, commensurate returns from the planned capital expenditure remain a key credit monitorable for JUPL.

Liquidity position: Adequate

JUPL's liquidity is expected to remain **adequate**, evidenced by its cash and liquid investments and undrawn term loans and working capital facilities, aggregating to approximately Rs. 44.3 crore as on March 31, 2021 (provisional). The liquidity would be sufficient for covering the repayment liabilities over the near-term. Although the quantum of near-term debt-funded capital expenditure remains sizeable, the funding support from the parent entity is likely to provide some comfort to JUPL's liquidity position.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company exhibits significant growth in revenue coupled with improvement in profitability on a sustained basis. Maintaining TD/OPBDITA below 3.5 times, on a sustained basis, would also be a credit positive.

Negative factors – The ratings could be downgraded if the company shows considerable de-growth in revenues and decline in profitability leading to stress on liquidity, or further stretch in receivables or lack of commensurate returns from the scheduled capital expenditure affect its liquidity.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Suppliers Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group Support	Parent/Group Company: Jiangyin Uni-Pol Co., Ltd. The ratings are based on implicit support from Jiangyin Uni-Pol Co., Ltd. as JUPL and Jiangyin Uni-Pol Co., Ltd. both operate in the business of automotive component manufacturing with significant business linkages between the two entities in terms of product offerings and geographies covered.
Consolidation/Standalone	The ratings are based on the standalone financial statements of Jiangyin Uni-Pol Vacuum Casting India Pvt. Ltd.

About the company

JUPL, incorporated in 2008-2009, is involved in manufacturing turbine wheels used in turbochargers of vehicles. Automotive and aerospace are the two key industries catered by the company. It is a part of the Uni-Pol Group spearheaded by the Jiangyin Uni-Pol Co. Ltd. situated in Jiangsu, China. JUPL, in turn, owns ~99.9% stake in a manufacturing unit in Mexico – UPM Casting SA DE CV, which is also involved in providing precision components to the automotive and aerospace industries.

JUPL has a manufacturing capacity of 8.0 million units per annum. It is, at present, expanding its manufacturing capacity to 10.0 million units per annum. Its manufacturing plant is located in Pimple Jagtap, Pune (Maharashtra). The company's revenue profile is dominated by exports, and automotive products account for a significant share of its revenue, with incremental revenue generation anticipated from the aerospace and medical products going forward.

JUPL reported a net profit of Rs. 15.9 crore on an operating income (OI) of Rs. 276.7 crore in FY2021 (provisional, standalone), over a net profit of Rs. 6.3 crore on an OI of Rs. 224.9 crore in FY2020 (standalone). On consolidated level (Indian entity + Mexican subsidiary), the company reported a net profit of Rs. 16.0 crore on an OI of Rs. 341.3 crore in FY2021 (provisional).

Key financial indicators (audited)

JUPL standalone	FY2019	FY2020
Operating Income (Rs. crore)	192.1	224.9
PAT (Rs. crore)	1.0	6.3
OPBDIT/OI (%)	4.7%	7.7%
PAT/OI (%)	0.5%	2.8%
Total Outside Liabilities/Tangible Net Worth (times)	1.3	1.7
Total Debt/OPBDIT (times)	5.6	4.8
Interest Coverage (times)	3.3	2.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: JUPL, ICRA research

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 of March 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					May 21, 2021	-	-	-
1	Term Loans	Long-term	57.0	57.0	**[ICRA]BBB (Stable)**	-	-	-
2	Working Capital Facilities	Long-term	91.0	-	**[ICRA]BBB (Stable)**	-	-	-
3	Interchangeable Facilities	Long-term / Short-term	(91.0)	-	**[ICRA]BBB (Stable) / [ICRA]A3+**	-	-	-
4	Unallocated Amount	Long-term / Short-term	52.00	-	**[ICRA]BBB (Stable) / [ICRA]A3+**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple
Long-term Fund-based - Working Capital	Simple
Long-term / Short-term – Interchangeable	Simple
Long-term / Short-term – Unallocated	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: Click Here

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	Term Loan-I	FY2019	NA	FY2024	29.0	[ICRA]BBB(Stable)
NA	Term Loan-II	FY2019	NA	FY2024	15.0	[ICRA]BBB(Stable)
NA	Term Loan-III	FY2021	NA	FY2024	7.0	[ICRA]BBB(Stable)
NA	Term Loan-IV	FY2021	NA	FY2024	6.0	[ICRA]BBB(Stable)
NA	Working Capital Limits	NA	NA	NA	91.0	[ICRA]BBB(Stable)
NA	Interchangeable Limits	NA	NA	NA	(91.0)	[ICRA]BBB(Stable) / [ICRA]A3+
NA	Unallocated Limits	NA	NA	NA	52.0	[ICRA]BBB(Stable) / [ICRA]A3+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	JUPL Ownership	Consolidation Approach
UPM Casting SA DE CV	99.9%	Full Consolidation

Source: *Company*

Note: *ICRA has taken a consolidated view of JUPL, its parent, and its subsidiary while assigning the ratings.*

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