February 10, 2025

Jiangyin Uni-Pol Vacuum Casting India Pvt. Ltd.: Ratings downgraded

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term / Short-term – Fund-based / Non-fund based facilities	0.00	184.02	[ICRA]BBB-(Negative)/ [ICRA]A3; downgraded from [ICRA]BBB(Negative)/ [ICRA]A3+
Long term – fund based / term loan	40.92	15.98	[ICRA]BBB-(Negative); downgraded from [ICRA]BBB(Negative)
Long term – fund based / cash credit	111.00	0.00	-
Short term – Non fund based	38.60	0.00	-
Long term / short term – unallocated	9.48	0.00	-
Total	**200.00**	**200.00**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings downgrade for Jiangyin Uni-Pol Vacuum Casting India Pvt. Ltd. (JUPL) reflects the weaker-than-expected performance of the entity, as reflected by muted profitability in the recent past on account of certain one-time accounting adjustments as well as factors such as commodity inflation, business reshuffling and adverse product mix. Profitability is likely to remain muted in the present fiscal (FY2025) as compared to historic levels, owing to the operating deleverage on account of the 20-22% YoY revenue decline anticipated for the fiscal. Muted demand in the key overseas markets such as the US and Europe is expected to result in the said revenue decline for the fiscal. JUPL is likely to see only a gradual improvement in profitability over the near to medium term. ICRA notes the deterioration in JUPL's leverage (TD/ OPBDITA of 7.4 times) and coverage indicators (interest cover of 1.6 times) in FY2024, with only a gradual improvement anticipated in the same over the near term. The company's strategic decision to discontinue projects with lower margins in order to focus on high-margin projects is expected to have an adverse impact on revenues but a positive impact on the profitability over the near to medium term. ICRA also notes JUPL's revenue concentration towards diesel-engine driven vehicles, exposing it to risks arising from gradual reduction in proportion of diesel vehicles, in the light of regulatory and voluntary measures undertaken for automobile emission reduction. However, increase in penetration of turbochargers in petrol and CNG powertrains in passenger vehicles (PVs) in the last few years, after the implementation of BS VI norms in April 2020 offsets the risk to some extent.

The ratings continue to draw comfort from JUPL's stable business position as one of the leading turbine wheel manufacturers in India, catering to multiple manufacturers of turbochargers in the automotive sector. ICRA notes that the company has been able to scale up its standalone revenues to Rs. 538 crore in FY2024, supported by steady volume offtake from its key customers. Though there will be a near-term impact on revenues due to discontinuation of low-margin projects by JUPL, ICRA expects a moderate revenue growth to sustain in the longer run, given the company's well-established relations with reputed clients in the turbocharger segment with healthy wallet share globally. Furthermore, its geographically diversified customer base provides a cushion against region-specific operational risks to an extent. While the company is exposed to fluctuations in foreign exchange (forex) rates, given the sizeable share of imports in its sourcing mix, there is some natural hedging from its operations, since it derives ~80-85% of its revenues from exports. The ratings also factor in the extensive experience of the promoter group, Doncasters, in the automotive components manufacturing industry, with global presence in the automotive, aerospace and gas turbine business verticals. Furthermore, with a presence in similar business segments, the parentage also provides JUPL with operational synergies. ICRA also notes the funding support extended by the parent entity to JUPL in the form of external currency borrowings (ECBs) and through fixed deposits against which JUPL has availed certain working capital facilities with the lenders. While the company expects to improve its liquidity position through a combination of factors including better working capital management and/or freeing up of encumbered fixed deposits going forward, developments on these fronts remain a key monitorable.

The Negative outlook reflects the weak operational performance and stretched liquidity position of JUPL, with only a gradual recovery expected, going forward.

Key rating drivers and their description

Credit strengths

Vast experience of promoter group in the automotive components manufacturing industry, track record of funding support – JUPL is a part of the Doncasters Group, which has an established global presence in the turbine wheel manufacturing space, with its manufacturing units located across Europe, the Americas and Asia. The Group has also backward integrated into manufacturing superalloys, the key raw material used in the manufacturing of turbine wheels. Following the acquisition of the Uni Pol Group by Doncasters, the combined entity is estimated to be one of the largest players globally in the turbine wheel manufacturing space, with a healthy presence with major turbocharger manufacturers globally. Direct funding support from the parent entity, in the form of ECBs worth Rs. 42.8 crore extended in FY2023, as well as indirect support from the Group in the form of fixed deposits of Rs. 53.0 crore in the bank, against which the bank has offered working capital lines to JUPL, provide some comfort to JUPL's liquidity position.

Established relationships with reputed clients with healthy wallet share – JUPL enjoys established relationships with reputed clients, i.e., turbocharger manufacturers in the automotive sector. With its long-standing relations with leading turbocharger manufacturers across the globe, JUPL enjoys sufficient revenue visibility and healthy wallet share through long-term contracts with its customers. The limited competition and organised nature of the turbine wheel market provides the existing players with a stable business position and steady growth opportunities.

Geographically diversified customer base provides cushion against region-specific operational risks – JUPL's clientele comprises domestic as well as overseas clients, with a dominant share from export revenues (80-85%) over the years. With the company exporting turbine wheels to multiple overseas markets such as Europe and North America, it is protected to an extent from region-specific operational risks and demand downturns impacting particular geographical regions to an extent. Further, exports provide natural hedging against the imports undertaken by the company, to an extent.

Credit challenges

Profitability over last few fiscals impacted from the strategic business decisions and contraction in revenues in the present fiscal – JUPL's operating profit margin in FY2024 showed some improvement YoY, although continued to remain lower as compared to the historic levels, on account of certain accounting adjustments coupled with commodity inflation seen during the fiscal. The operating profit margin continues to remain moderate in the present fiscal as compared to their historic level (10-12%) on account of strategic business initiatives undertaken by the company (as it is exiting from low-margin projects and enhancing its focus on high-margin projects) coupled with potential cash outflows in the form of common group costs (group discharge), going forward. The margins are expected to see only a gradual recovery, going forward.

Leveraged capital structure –The company's leverage and coverage indicators remain impacted from the contraction in earnings and higher debt levels, as reflected by TD/OPBDITA of 7.4 times as of March 31, 2024, and interest coverage of 1.6 times for FY2024. It has availed term loans to fund capital expenditure (capex) in the recent past and working capital requirements have also remained high considering the high working capital intensity of operations. ICRA notes that of the Rs. 211.2 crore total debt as on March 31, 2024, Rs. 43.4 crore pertained to ECBs from the parent, thus limiting the external debt exposure to Rs. 167.8 crore. However, the company is expected to continue to be dependent on working capital borrowings owing to its high working capital intensity of operations. Thus, the leverage and coverage indicators are expected to remain weak over the near term, given the sizeable debt and deteriorated earnings.

Concentration on the diesel-engine driven vehicles for revenues, increasing penetration of turbochargers in other automotive variants provides some comfort – JUPL's revenue concentration remains sizeable towards diesel-engine driven vehicles, exposing it to risks arising from gradual reduction in proportion of diesel vehicles, in the light of regulatory and voluntary measures undertaken for automobile emission reduction. However, increase in penetration of turbochargers in petrol and CNG powertrains in PVs in the last few years, after the implementation of BS VI norms in April 2020 offsets the risk to some extent.

High working capital intensity due to long receivables cycle from exports segment, resulting in stretched liquidity position – JUPL's operations are characterised by high working capital intensity (30% in FY2024) because of long receivables cycle in its exports business. As a result, the company's working capital utilisation remains high, which coupled with limited cash and liquid investments on its balance sheet, have resulted in a stretched liquidity position. However, funding support received from the parent entity in the form of fixed deposits as collaterals for banking lines provides some comfort to the liquidity position. While the company expects to improve its liquidity position through a combination of factors including better working capital management and/or freeing up of encumbered fixed deposits going forward, developments on these fronts remain a key monitorable.

Liquidity position: Stretched

JUPL's liquidity profile is stretched, as reflected by a moderate cash and liquid investments balance and limited buffer in the form of undrawn working capital lines. The company had free cash and liquid investments of ~Rs. 20 crore as of December 31, 2024 and some buffer in the form of undrawn working capital lines, with an average working capital utilization of 87% for 9M FY2025. The quantum of debt repayment remains moderate over the near term, at Rs. 8-9 crore per annum. Capex outlay remains limited, at Rs. 8-10 crore per annum over the near term, mainly towards maintenance activities. Sizeable quantum of fixed deposits lien-marked as collateral for working capital lines and potential cash outflow in the form of common group costs have a bearing on JUPL's liquidity profile.

Rating sensitivities

Positive factors – The outlook could be revised to Stable 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 revised downwards if JUPL shows considerable de-growth in revenues or weak profitability, resulting in a stretched liquidity position on a sustained basis. Any upstreaming of funds to support parent/Group entities that impacts its credit metrics and liquidity position, on a sustained basis, would also be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of JUPL.

About the company

JUPL, incorporated in FY2009, is positioned as a tier-2 component supplier, engaged in manufacturing turbine wheels used in turbochargers of vehicles. The company supplies turbine wheels to the automotive industry, for passenger vehicle (PV) and commercial vehicle (CV) segments. It was part of the Uni-Pol Group, which was acquired by the Doncasters Group in FY2023.

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 12.0 million units per annum. Its manufacturing plant is at Pimple Jagtap, Pune (Maharashtra). JUPL's revenue profile is dominated by exports, which typically contribute ~80-85% of its standalone revenues.

Key financial indicators

JUPL	FY2023 Audited	FY2024 Audited
Operating Income (Rs. crore)	483.1	537.7
PAT (Rs. crore)	-5.5	6.6
OPBDIT/OI (%)	2.3%	5.3%
PAT/OI (%)	-1.1%	1.2%
Total Outside Liabilities/Tangible Net Worth (times)	2.4	2.5
Total Debt/OPBDIT (times)	16.2	7.4
Interest Coverage (times)	0.8	1.6

PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Source: JUPL, ICRA Research

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	February 10, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based / Non-fund based facilities	Long-term / Short-term	184.02	[ICRA]BBB-(Negative)/ [ICRA]A3	23-Nov-23	-	26-Aug-22	-	21-May-21	-
Fund based / term loan	Long-term	15.98	[ICRA]BBB-(Negative)	23-Nov-23	[ICRA]BBB (Negative)	26-Aug-22	[ICRA]BBB&	21-May-21	[ICRA]BBB (Stable)
Fund based / cash credit	Long-term	0.00	-	23-Nov-23	[ICRA]BBB (Negative)	26-Aug-22	[ICRA]BBB&	21-May-21	[ICRA]BBB (Stable)
Short term – Non fund based	Short-term	0.00	-	23-Nov-23	[ICRA]A3+	26-Aug-22	-	21-May-21	-
Unallocated limits	Long-term / Short-term	0.00	-	23-Nov-23	[ICRA]BBB (Negative)/ [ICRA]A3+	26-Aug-22	[ICRA]BBB&/ [ICRA]A3+&	21-May-21	[ICRA]BBB (Stable) / [ICRA]A3+
Interchangeable facilities	Long-term / Short-term	0.00	-	23-Nov-23	-	26-Aug-22	[ICRA]BBB&/ [ICRA]A3+&	21-May-21	[ICRA]BBB (Stable) / [ICRA]A3+
Working capital term loan	Long-term	0.00	-	23-Nov-23	-	26-Aug-22	[ICRA]BBB&	21-May-21	-

Source: Company &: On rating watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term / Short-term – Fund-based / Non-fund based facilities	Simple
Long term – fund based / term loan	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, are available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Working Capital Facilities	NA	NA	NA	184.02	[ICRA]BBB-(Negative)/ [ICRA]A3
NA	Term Loan -1	Dec-2020	NA	Nov-2025	1.60	[ICRA]BBB-(Negative)
NA	Term Loan -2	Jan-2022	NA	Dec-2027	14.38	[ICRA]BBB-(Negative)

Source: Company

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

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