July 07, 2023

Janatics India Private Limited: Rating upgraded to [ICRA]A+ from [ICRA]A; outlook revised to Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	Rating upgraded to [ICRA]A+ from [ICRA]A; outlook revised to Stable from Positive
Total	**-**	**-**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade in the long-term rating of Janatics India Private Limited (Janatics or the company) factors in its healthy revenue growth and improved cash accruals in FY2023, and the trend is expected to sustain over the medium term. The revenue grew at a healthy YoY rate of ~20% to Rs. 459.6 crore in FY2023 from Rs. 381.8 crore in FY2022, supported by strong demand for the company's products and addition of new products to the portfolio.

The rating positively factors in the healthy operational profile of Janatics, characterised by its established track record of over 35 years in the pneumatic component 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 a 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 downturn in a particular industry.

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

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will maintain its healthy credit profile in the medium term, aided by its established market position, along with maintaining strong debt protection metrics and liquidity profile.

Key rating drivers and their description

Credit strengths

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

Diversified clientele mitigates risk of any industry-specific downturn - Janatics' products find use in various industries such as automotive, general engineering, textile, education, packaging, food processing and railways, among others. As the company caters to a diversified set of industries, the risk of a downturn in a particular industry is mitigated.

Strong financial risk profile - The company's revenue grew at a healthy YoY rate of ~20% to Rs. 459.6 crore in FY2023 from Rs. 381.8 crore in FY2022, supported by healthy demand for its products and addition of new products to the portfolio. The company's revenue is expected to grow at a healthy rate in the current fiscal as well. The company's capital structure is comfortable, marked by minimal debt on its books and a net worth base of Rs. 202.5 crore as on March 31, 2023 (provisional financials). Its coverage indicators are robust, reflected in an interest coverage of 168.2 times, total debt/OPBITDA of 0.03 times and NCA/TD of 2711% in FY2023. Also, the company's return indicators are above average, marked by an operating profit margin of 13.5% and RoCE of 33.5% in FY2023.

Credit challenges

Moderate scale of operation and intense competition - The company's scale of operations remains modest in a highly competitive and fragmented pneumatics industry. Janatics has to compete with other established multinational companies who leverage their global presence, smaller companies from the unorganised sector and imports, which limit the company's pricing flexibility. Nonetheless, ICRA notes that the company has been able to maintain decent operating profit margins 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 the volatility in raw material prices on the back of a high inventory holding position. Further, the company's profitability remains exposed to foreign currency fluctuations owing to the import of raw materials and export sales. However, the value of imports and exports remains low, signifying low foreign exchange risk.

Liquidity position: Strong

Janatics' liquidity position is strong, marked by healthy cash flow from operations and minimal debt on its books. The company's liquidity position is further strengthened by large free cash and bank balances of Rs. 66.9 crore as on March 31, 2023.

Rating sensitivities

Positive factors - The rating may be upgraded if the company demonstrates a significant scale-up of operations and improvement in profitability, while maintaining healthy debt coverage metrics and liquidity position.

Negative factors - Pressure on the rating could arise if the company's sales and profitability significantly deteriorate, or if the working capital cycle is stretched, weakening the key credit metrics or liquidity position. A specific credit metric that ICRA could look at for a downgrade is net debt/OPBDITA of 1.5 times or above on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial profile

About the company

Janatics India Private Limited, incorporated in 1991, 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 at Seerapalayam, Coimbatore.

Key financial indicators (audited)

	FY2022	FY2023*
Operating income	381.8	459.6
PAT	27.8	45.3
OPBDIT/OI	11.5%	13.5%
PAT/OI	7.3%	9.9%
Total outside liabilities/Tangible net worth (times)	0.8	0.6
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	96.6	168.2

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; * Provisional financials*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jul 07, 2023	Oct 28, 2022	Jul 30, 2021	Apr 07, 2020
1	Issuer rating	Long term	-	-	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Cash credit	Long term	-	-	-	-	[ICRA]A (Stable); Withdrawn	[ICRA]A (Stable)
3	Unallocated limits	Long term	-	-	-	-	[ICRA]A (Stable); Withdrawn	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not Applicable

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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Issuer rating**	NA	NA	NA	-	[ICRA]A+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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