

October 28, 2022

## Janatics India Private Limited: Rating reaffirmed; outlook revised to Positive

### Summary of rating action

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

\*Instrument details are provided in Annexure-I

### Rationale

The revision in the outlook on the long-term rating of Janatics India Private Limited (Janatics or the company) factors in ICRA's expectation of a healthy growth in turnover, driven by healthy demand for the company's products. ICRA expects the company to book a healthy YoY revenue growth of ~20% in FY2023. Moreover, the company's financial risk profile is likely to be strong on expectations of a sustained healthy liquidity position and robust debt protection metrics owing to almost nil debt on its books.

The rating reaffirmation continues to positively factor in the healthy operational profile of Janatics, characterised by its established position with a 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 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 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 profile in the pneumatic component industry and the presence of customers from diverse end-user industries mitigate the risk to some extent.

### Key rating drivers and their description

#### Credit strengths

**Established track record in pneumatic component segment** - Janatics is one of the major players in the pneumatic component space for over 35 years, manufacturing different products 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 component 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 and railways. The company caters to a diversified industry, which mitigates the risk of 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 a net worth base of Rs. 157.2 crore as on March 31, 2022 (provisional financials). Its coverage indicators are robust, reflected in interest coverage of 96.6 times, total debt/OPBITDA of 0.0 times and DSCR of 74.7 times in FY2022. Also, the company's profitability and return indicators are decent, marked by an operating profit margin of 11.5% and RoCE of 26.7% in FY2022.

## Credit challenges

**Moderate scale of operation and intense competition** - The company's scale of operations remains moderate, marked by a revenue of Rs. 381.9 crore in FY2022; albeit it grew at a healthy YoY rate of ~40% over the FY2021 revenue of Rs. 274.8 crore, 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. In the pneumatic 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 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 high inventory holding position. Further, the company's profitability remains exposed to foreign currency fluctuations owing to the import of raw materials and marginal export sales. However, the value of imports and exports remains low.

## 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, 2022.

## Rating sensitivities

**Positive factors** – The rating may be upgraded if the company is able to scale up its operations while maintaining a healthy profitability and liquidity position.

**Negative factors** - Pressure on the company's ratings could arise if the company's sales and profitability significantly deteriorate or any stretch in the working capital cycle weakens the key credit metrics or liquidity position. A specific credit metric that ICRA could look at for a downgrade is net debt/OPBDITA of 2.0 times or above on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
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

	FY2021 Audited	FY2022 Prov.
<b>Operating income</b>	274.8	381.8
<b>PAT</b>	18.3	27.8
<b>OPBDIT/OI</b>	11.0%	11.5%
<b>PAT/OI</b>	6.7%	7.3%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.7	0.8
<b>Total debt/OPBDIT (times)</b>	0.0	0.0
<b>Interest coverage (times)</b>	70.2	96.6

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

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023 Oct 28, 2022	Date & rating in FY2022 Jul 30, 2021	Date & rating in FY2021 Apr 07, 2020	Date & rating in FY2020 -
1 Issuer Rating	Long term	-	-	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)	-
2 Cash Credit	Long-term	-	-	-	[ICRA]A (Stable)	[ICRA]A (Stable)	-
3 Unallocated Limits	Long-term	-	-	-	[ICRA]A (Stable)	[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: [www.icra.in](http://www.icra.in)

## 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	NA	[ICRA]A (Positive)

Source: Company

## Annexure II: List of entities considered for consolidated analysis - Not applicable

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