

October 17, 2024

Janatics India Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	[ICRA]A+ (Stable); reaffirmed
Total	-	-	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the long-term rating of Janatics India Private Limited (Janatics or the company) factors in its comfortable revenue growth and cash accruals in FY2024, and expectation of the trend continuing, going forward. The revenue grew at a YoY rate of ~11% to Rs. 508.41 crore in FY2024 from Rs. 459.63 crore in FY2023, supported by strong demand for the company's products, besides benefitting from product and end-user industry diversification. The profitability also remained healthy and is likely to sustain, going forward.

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 robust capital structure, comfortable debt coverage indicators and healthy cash and bank balances. The company has undertaken a buyback of Rs. 35 crore in the current fiscal and despite this, the liquidity remains strong. 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 be able to sustain 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. As the company caters to a diversified set of industries, the risk of downturn in a particular industry is mitigated.

Strong financial risk profile - The company's revenue grew at a healthy YoY rate of ~11% to Rs. 508.41 crore in FY2024 from Rs. 459.6 crore in FY2023, supported by steady demand for its products and the addition of new products to the portfolio. The company's revenue is expected to grow at 8-10% 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. 243.7 crore as on March 31, 2024 (provisional financials). The coverage indicators are robust, reflected in an interest coverage of 178.27 times, total debt/OPBITDA of 0.02 times and NCA/TD of 3869% in FY2024. Also, the company's profitability indicators are healthy, marked by an operating profit margin of 14.23% and RoCE of 30.74% in FY2024.

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 comfortable 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 reduced 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. 64.27 crore as on March 31, 2024. Moreover, despite undertaking a buyback of Rs. 35 crore in FY2025, the cash position and liquidity are expected to remain strong.

Rating sensitivities

Positive factors – The rating may be upgraded if the company demonstrates a significant scale-up of operations, while maintaining its profitability and 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 over 3,500 different products that find use in various industries such as pharmaceuticals, automotive, packaging, printing, food processing, medical equipment, textile etc. The company traces its roots to the business set up by first-generation entrepreneurs - Mr. G. C. Nageswaran and Mr. K. Jaganathan - in 1977 and commenced operations by developing customised pneumatic cylinders and valves for the textile industry. Janatics operates out of its newly constructed highly advanced facility in Seerapalayam, Coimbatore. Janatics also has an in-house Department 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.

Key financial indicators (provisional)

	FY2023	FY2024*
Operating income	459.63	508.41
PAT	38.75	47.71
OPBDIT/OI	12.38%	14.23%
PAT/OI	8.43%	9.38%
Total outside liabilities/Tangible net worth (times)	0.70	0.58
Total debt/OPBDIT (times)	0.03	0.02
Interest coverage (times)	153.88	178.27

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount rated (Rs Crore)	Oct 17, 2024	Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long term	-	[ICRA]A+ (Stable)	07-Jul-23	[ICRA]A+ (Stable)	28-Oct-22	[ICRA]A (Positive)	30-Jul-21	[ICRA]A (Stable)
Cash credit	Long term	-	-	-	-	-	-	30-Jul-21	[ICRA]A (Stable) Withdrawn
Unallocated limits	Long term	-	-	-	-	-	-	30-Jul-21	[ICRA]A (Stable) Withdrawn

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:

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