

Press Release

J P Dyechem Private Limited

June 22, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.12.00 crore bank facilities of J P Dyechem Private Limited. The outlook is '**Stable**'.

J P Dyechem Private Limited (JPDPL) incorporated in 1996, is a Mumbai (Maharashtra) based company engaged in trading of chemicals. The company is promoted by Mr. Jayendra Himatlal Doshi and Mr. Paras Arvind Dhami. JPDPL is engaged in trading of chemicals which is used in various industries like textile, food, dyes, pulp and paper industry, photographic and adhesive industries, among others.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

JPDPL has been in operations since 1996 and is managed by the promoters. They have more than 2 decades of experience in the chemical industry. Thus, JPDPL benefits from its long existence and relations forge with customers and suppliers.

- Diverse application of products sold**

JPDPL has a diversified application for the product portfolio as it cater to the need of various industries like pharmaceutical, printing, packaging, paint, mining, among others. Thus reducing the dependency of sale of its products in a particular industry.

- Moderate financial risk profile**

JPDPL has moderate financial risk profile marked by net worth of Rs.13.29 crore as on 31 March, 2017 compared to Rs.11.76 crore as on 31 March, 2016. Net worth includes interest baring unsecured loans of Rs.3.55 crore. The gearing stood at 0.11 times as on 31 March, 2017 from 0.01 times as on 31 March, 2016. The total debt of Rs.1.51 crore comprises of term loan of Rs.0.08 crore from banks and working capital funds of Rs.1.43 crore as on 31 March, 2017. The interest coverage ratio stood at 4.11 times in FY2017 as against 3.16 times in FY2016 this is mainly due to improvement in profitability in FY2017. The net cash accruals stood at Rs.1.27 crore from Rs.0.95 crore as on 31 March, 2016. Going forward, Acuité expects the company to maintain its financial risk profile and improve its net worth in the absence of major debt funded capex plan.

Weaknesses

- Susceptibility of margins to volatility in chemical prices and foreign exchange rates**

The company's profitability margins are susceptible to fluctuations in the raw material prices of traded chemicals and foreign exchange fluctuations as the raw materials are imported.

- **Highly competitive and fragmented industry**

The chemical trading industry is a highly fragmented industry and there are a large number of organised and unorganised players which has led to high competition in the industry. The company faces competition from few large players as well as numerous players in the unorganised segment. Also on account of its trading nature of business, the entry barriers are low, leading to stiff competition for the company.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of J P Dyechem Private Limited to arrive at this rating.

Outlook: Stable

Acuité believes that JPDPL will maintain a 'Stable' outlook over the medium term from its established presence in the chemicals industry. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving its margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	87.71	89.90	93.09
EBITDA	Rs. Cr.	1.92	1.61	1.73
PAT	Rs. Cr.	1.23	0.91	0.78
EBITDA Margin	(%)	2.19	1.79	1.86
PAT Margin	(%)	1.41	1.01	0.84
ROCE	(%)	17.30	16.14	15.92
Total Debt/Tangible Net Worth	Times	0.11	0.01	0.08
PBDIT/Interest	Times	17.30	16.14	15.92
Total Debt/PBDIT	Times	0.64	0.06	0.46
Gross Current Assets (Days)	Days	91	76	100

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-33.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
14-Jul-17	Cash Credit	Long term	2.00	ACUITE BB+ (Indicative)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Indicative)
22-Mar-16	Secured Overdraft	Long term	2.00	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	10.00*	ACUITE A4+ (Assigned)

*Includes sublimit of buyers credit upto Rs. 5.00 crore

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00*	ACUITE A4+ (Reaffirmed)

*Includes sublimit of buyers credit upto Rs. 5.00 crore

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About Acuité Ratings & Research:

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