

## Press Release

### J P Dyechem Private Limited

June 22, 2018

### Rating Reaffirmed



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

\* Refer Annexure for details

### Rating Rationale

Acuite 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 bearing 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, Acuite 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

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

#### Outlook: Stable

Acuite 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

### Contacts

Analytical	Rating Desk
Suman Chowdhury President- Rating Operations Tel: 022-67141107 <a href="mailto:suman.chowdhury@acuite.in">suman.chowdhury@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Aishwarya Phalke Analyst - Rating Operations Tel: 022-67141156 <a href="mailto:aishwarya.phalke@acuiterratings.in">aishwarya.phalke@acuiterratings.in</a>	

**About Acuite Ratings & Research:**

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** *An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuite.*