

Press Release

Jay Instruments And Systems Private Limited

October 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BBB**' (**read as ACUITE BBB**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs. 6.00 crore bank facilities of Jay Instruments And Systems Private Limited (JISPL). The outlook is '**Stable**'.

JISPL, based out of Mumbai, is engaged in the business of manufacturing and trading of electronic weighing scales since 1986. The company is promoted by Mr. Parag S Kothari, Mr. Nikhil S Kothari, Mr. Deven Parag Kothari and Mrs. Jigna Parag Kothari. JISPL provides a wide range of products varying from coding, marking and labeling systems, industrial weighing solutions, inspection and packaging systems and digital printing solutions, amongst others. The company represents several reputed foreign players for their range of products in India.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the JISPL to arrive at this rating.

Key Rating Drivers

Strengths

• Long track record of operations

JISPL has been in operation for more than three decades, in manufacturing and trading of electronic weighing scales, lab equipment, color & textile products, digital textile printers, coding, marking and labeling systems. The promoters are involved in the functional areas of the business, and have established longstanding relationships with suppliers and customers which helped in getting repeat orders from its clientele. The extensive experience of the promoters is also reflected through its healthy revenue growth. The revenues of the company witnessed a compounded annual growth rate (CAGR) of 22 percent over the last three years through 2017-18. Through decades of experience, JISPL has represented several reputed foreign suppliers such as CASSEL, CAB, ANRITSU and KONICA MINOLTA, among others.

• Moderate financial risk profile

JISPL has moderate financial risk profile as marked by net worth, low gearing and healthy debt protection measures. The net worth of the company is moderate at around Rs.31.21 crore as on March 31, 2018 (Provisional). The net worth has sequentially improved from Rs.22.58 crore as on March 31, 2016 on account of healthy accretion to reserves. The company has followed a conservative financial policy in the past as reflected by its peak gearing and TOL/TNW of 0.15 times and 0.77 times respectively, as on March 31, 2017. The gearing and TOL/TNW has improved to around 0.07 times and 0.41 times respectively as on March 31, 2018.. Total outstanding debt of the company stood at Rs.2.09 crore in FY2018 (Provisional) as compared to Rs.4.11 crore in FY2017. JISPL's revenues grew at 8.5 percent to Rs.81.1 crores in 2017 -18 while its operating margins were stable at 9-10 percent, thereby leading to healthy operating profits and net cash accrual. The healthy profits coupled with low debt levels have led to healthy debt protection measures. The Interest coverage ratio (ICR) is comfortable at 16.04 times in FY2018 (Provisional) as compared to 26.13 times in the last year. Acuite believes that JISPL's financial risk profile will remain moderate over the medium term on account of its healthy profitability and low gearing levels.

- **Moderate working capital requirement**

JISPL has moderate working capital requirement as marked by Gross Current Asset (GCA) days of 123 in FY2018 (Provisional) as compared to 153 in the previous year. The decline in GCA is mainly because of reduced inventory holding period of 93 to 65 days in FY2018 (Provisional). Current ratio for JISPL has been notable at 2.60 times in FY2018 (Provisional) as against 1.62 times in the previous year.

Weaknesses

- **Moderate scale of operations**

The scale of operations for JISPL has been moderate at Rs.81.14 crore in FY2018 (Provisional) as compared to Rs.74.53 crore in the previous year. Moderate scale is mainly because of commission based nature of business which is more than 40 percent of overall business. The capacity utilisation of the company remains subdued at 50 -55 percent. The company has future top line visibility of Rs.22.53 crore in the form of yet to be executed orders (as on date).

Outlook: Stable

Acuité believes that the outlook of the JISPL will remain 'Stable' over the medium term on account of moderate financial risk profile and working capital requirements. The outlook may be revised to 'Positive' if there is a substantial and sustained increase its scale of operations, while maintaining its profitability levels. On the contrary, the outlook may be revised to 'Negative' if there is any deterioration in the financial risk profile most likely as a result of elongation of its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	81.14	74.53	59.73
EBITDA	Rs. Cr.	7.94	7.19	6.72
PAT	Rs. Cr.	4.58	4.05	3.94
EBITDA Margin	(%)	9.79	9.65	11.24
PAT Margin	(%)	5.64	5.43	6.60
ROCE	(%)	22.47	23.99	27.99
Total Debt/Tangible Net Worth	Times	0.07	0.15	0.02
PBDIT/Interest	Times	16.04	26.13	52.15
Total Debt/PBDIT	Times	0.26	0.57	0.07
Gross Current Assets (Days)	Days	123	153	150

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3+ (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3+ (Assigned)
Bills Discounting	Not	Not	Not	0.50	ACUITE A3+ (Assigned)

Applicable	Applicable	Applicable
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About Acuité Ratings & Research:

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