

Press Release

Jo Bland Enterprises

April 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 10.00 crore bank facilities of Jo Bland Enterprises. The outlook is '**Stable**'.

Jo Bland Enterprises (JBE), a partnership firm established by Mr. Jose Bland in 1990 is engaged in the manufacture of LPDE bags, stretch films, shrink films among others at Indira Nagar, Bangalore. The installed capacity stands at 3,200 tonnes per annum.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The partners of JBE, Mr. Jose James and Mrs Sindhu James have more than two decades of experience in the packaging industry. JBE was established in 1990 by Mr. Jose James at Bangalore.

- Established relationship with reputed clientele and suppliers**

JBE has established relationship with reputed customers including Nestle, Hindustan Unilever, GlaxoSmithKline among others which constitutes around 15-20 per cent of the revenue with the balance generated from a diversified client base in Karnataka. JBE also has established relationship with suppliers such as Haldia Petrochemicals, Reliance Petrochemicals, Indian Oil Corporation to name a few.

- Healthy financial risk profile**

The healthy financial risk profile is marked by low net worth of Rs.3.56 cr as on 31st March, 2016. The firm has moderate debt-equity (gearing) of 1.38 times, healthy interest coverage ratio of 3.17 times and DSCR of 2.84 times as on 31st March, 2016.

- Comfortable working capital cycle**

The firm has comfortable working capital cycle marked by gross current days of 75 in FY2016 as against 73 days in FY2015. The inventory and debtor days stood at 15 and 56 respectively in FY2016. On an average, JBE utilises around 70-75 per cent of its cash credit limit of Rs 5 cr.

Weaknesses

- Modest scale of operations**

The firm has modest scale of operations with revenue of Rs 33.24 cr in FY2016 as against Rs 29.22 cr in FY2015. However, the revenue has grown at a healthy compounded annual growth rate (CAGR) of ~ 19.25 per cent over the last three years at Rs 33.24 cr in FY2016 from Rs 19.60 cr in FY2013.

- **Geographical concentration of revenue**

The firm is exposed to revenue concentration risk with almost 90 per cent revenue generated from Karnataka and the rest from other states.

- **Intense competition**

JBE is exposed to intense competition from a large number of organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of JBE.

Outlook: Stable

SMERA believes that JBE will maintain a stable outlook over the medium term owing to the experience of its partners. The outlook may be revised to 'Positive' in case the firm significantly scales up its operations registering improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of lower than envisaged sales or profitability or due to weakening of the capital structure because of high working capital requirements.

About the Rated Entity - Key Financials

For FY2016, JBE reported Profit after Tax (PAT) of Rs.0.65 cr on total operating income of Rs.33.24 cr as compared with PAT of Rs.0.48 cr on total operating income of Rs.29.22 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.60	SMERA A4+
Term loans	Not Applicable	Not Applicable	31-Jul-2019	0.68	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.72	SMERA BB / Stable

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ABOUT SMERA

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