

## Press Release

### Jo Bland Enterprises

24 April, 2018

### Rating Re-affirmed



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

\* Refer Annexure for details

### Rating Rationale

SMERA has re-affirmed long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.50 crore bank facilities of Jo Bland Enterprises (JBE). SMERA has also assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs 1.50 crore proposed bank facilities of Jo Bland Enterprises. The outlook is '**Stable**'.

Established in 1990 -Jo Bland Enterprises (JBE) is a Bangalore based partnership firm engaged in the manufacture of LPDE bags, stretch films, shrink films with an annual installed capacity of 3,200 metric tons per annum. The firm is managed by Mr. Jose James and Mrs. Sindhu James.

### Key Rating Drivers

#### Strengths

##### Experienced management

The partners Mr. Jose James and Mrs. Sindhu James have more than two decades of experience in manufacturing of packaging materials and packing bags developed from polymer processing.

##### Established relationship with reputed clientele and suppliers

Presence of over 27 years in the packaging industry has enabled the firm to establish healthy relationship with customers and suppliers. The firm has reputed customers in the form of Nestle India Limited, Hindustan Unilever Limited, GlaxoSmithKline Pharmaceuticals Limited, Pfizer Limited and IRCTC. Revenue constitutes around 25 per cent from the reputed customers and balance is majorly derived from diversified client base within Karnataka.

In addition to reputed clientele, JBE has established relationship with suppliers in the form of Haldia Petrochemicals Limited, Reliance Petrochemicals Limited, Indian Oil Corporation Limited and GAIL. In addition the firm also imports ~ 15 per cent of granules from Qatar Petrochemical Company. Entire raw materials in the form of granules are procured from the reputed suppliers.

##### Prudent working capital cycle

The firm has prudent working capital cycle marked by Gross Current Asset (GCA) days of 76 days on both the year end i.e on 31st March'17 and 31st March'16. The firm provident credit of 30-70 day to its customers depending on relationship. Inventory is generally kept at 5-20 days depending on the order book position. On an average JBE utilizes around 90 per cent of its cash credit limit of Rs 5 crore.

##### Above average financial risk profile

The firm's above average financial risk profile is marked by comfortable debt protection metrics, moderate net worth and gearing. The debt protection metrics is marked by healthy interest coverage ratio and DSCR of 3.53 times and 1.95 times as on 31st March'17 as compare to 3.17 times and 1.93 times respectively in the previous year. The gearing (debt-equity) stands moderate at 1.51 times as on 31st March'17 as compare to 1.38 times in the previous year. The net-worth stands modest at Rs 3.32 cr as on 31st March'17 as compare to

Rs 3.56 cr in the previous year. Going forward, SMERA believes, there will be moderation in the financial risk profile on account of the capex to be undertaken by the firm to enhance its installed capacity. The capex will be funded through proposed term loan and partners' capital in the ratio of 3:1.

### Weaknesses

#### Modest scale of operations

The firm's revenues have dipped marginally in FY 17 to Rs.32.84 cr from Rs.33.24 crore in FY2016. During the current year, the firm registered revenue has improved to Rs 34.31 crs till 31st March'18 (prov).

#### Geographical concentration

JOE's operations are geographically concentrated with almost 80 per cent of revenue being generated within Karnataka while the balance of 20 per cent is from outside Karnataka.

#### Intense competition

JOE is exposed to intense competition from large number of organized and unorganized players in the market.

### Outlook: Stable

SMERA believes that JOE will benefit from the experience of its partners over the medium term. The outlook may be revised to 'Positive' in case the firm completes the capex without any significant delay thereby scaling up its operations with managing its profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of the firm reports less than envisaged sales or profitability or due to weakening of the capital structure because of more than estimated debt funded borrowings to fund its capex.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.84	33.24	29.22
EBITDA	Rs. Cr.	1.55	1.75	1.67
PAT	Rs. Cr.	0.55	0.66	0.49
EBITDA Margin	(%)	4.71	5.25	5.72
PAT Margin	(%)	1.67	2.00	1.66
ROCE	(%)	14.61	19.36	17.87
Total Debt/Tangible Net Worth	Times	1.51	1.38	1.75
PBDIT/Interest	Times	3.53	3.17	3.06
Total Debt/PBDIT	Times	3.20	2.55	2.60
Gross Current Assets (Days)	Days	76	76	73

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

None

### Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of JBE.

### 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)**

Date	Name of Instruments/Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
07-April, 2017	Cash Credit	Long Term	5.00	SMERA BB/Stable (Assigned)
	Term Loan	Long Term	0.68	SMERA BB/Stable (Assigned)
	Proposed	Long Term	2.72	SMERA BB/Stable (Assigned)
	Letter of Credit	Short Term	1.60	SMERA A4+ (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/Stable (Re-affirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.68	SMERA BB/Stable (Re-affirmed)
Proposed long term Facilities	Not Applicable	Not Applicable	Not Applicable	1.22	SMERA BB/Stable (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.60	SMERA A4+ (Re-affirmed)

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## ABOUT SMERA

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