

Press Release

Jo Bland Enterprises

March 23, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.13.00 Cr. (Enhanced from Rs.10.00 crore)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.9.05 crore bank facilities and assigned the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.3.95 crore bank facilities of Jo Bland Enterprises. The outlook is '**Stable**'.

Jo Bland Enterprises (JBE) was established in the year 1990 as a partnership firm by Mr. Jose James and Mrs. Sindhu James. The firm is engaged in manufacturing of plastic packaging products viz. LPDE Bags, Stretch films, Shrink films and HMHDPE bags. In addition, the firm manufactures printed bags as per specification received from customers. JBE has its manufacturing factory is located at Bengaluru with the installed capacity of 3300 Metric Tonnes Per Annum (MTPA), Karnataka.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr. Jose James has more than two decades of experience in plastic packaging industry. The experience of the promoter and established presence in market has led to maintaining healthy relations with both suppliers such as Reliance, GAIL and Haldia as well as customers such as Nestle and HUL, Pfizer, GSK among others.

Acuité believes that JBE will continue to benefit from the promoter's established presence in the plastic industry and its improving its business risk profile over the medium term.

- **Efficient working capital management**

JBE's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) of 92 days for FY2018. The GCA are mainly dominated by receivables of 72 days for FY2018 as against 67 days for FY2017 while the inventory was in the range of 7-15 days. On the other hand, the company gets the credit period of around 8-10 days from its suppliers. The working capital limits were 80 percent utilized for past six months ended February 2019.

Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Moderate financial risk profile**

JBE has moderate financial risk profile marked by moderate capital structure and debt protection metrics. The net worth is low at Rs.5.78 crores as on March 31, 2018 which improved from Rs.3.32 crores as on 31 March, 2017 owing to accretion to partner's capital. As a result, the gearing has improved to levels of 0.91 times as on March 31, 2018 from 1.51 times as on 31 March, 2017. Moderate net cash accruals and debt has led to interest coverage ratio 4.27 times in FY2018 vis-à-vis 3.53 times in FY2017. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) moderate at 1.10 times as on 31st March, 2018 compared to 1.96 times as on 31st March, 2017.

Weaknesses

- **Modest scale of operations**

JBE has witnessed uneven revenue trend for the period under study (FY2016-FY2018). The firm registered revenues of Rs.34.75 crores in FY2018 against Rs.32.84 crores as on FY2017 as against Rs.33.24 crore in FY2016. It has reported revenue of Rs.30.77 crores (Provisional) as on 10MFY2019 ending January 2019. The net margins also shown the fluctuating trend and the same stood at 3.70 percent for FY2018 as against 2.39 percent for FY2017 as against 2.85 percent for FY2016.

- **Exposed to fluctuation in the raw material prices**

The raw material cost comprises of ~80 percent of the total operational cost of the firm. The major raw material, plastic polymers being a derivative of crude, exhibits high price volatility making the margins susceptible to volatility in the raw material prices.

- **Competitive and highly fragmented industry**

JBE operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Liquidity position

JBE has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.62 crores while its maturing debt obligations are in the range of 0.30 crore to 0.60 crore. The cash accruals of the JBE are estimated to remain around Rs.1.60 to 2.00 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.50-1.00 crores for the same period. The firm's working capital cycle is relatively efficient considering the Gross Current Assets (GCA) of 92 days in FY 2018. This has led to moderate reliance on working capital borrowings, the average fund based limit utilization was at 75 percent during the last 3-month period ended February 2019. The current ratio of the JBE stood at 1.59 times as on March 31, 2018 improved from 1.21 times in FY2017.

Outlook: Stable

Acuité believes that JBE will maintain a 'Stable' outlook and benefit over the medium term owing to its promoters' extensive experience in the plastic industry and established relations with clientele. The outlook may be revised to 'Positive' if the net cash accruals increase substantially with improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability and liquidity or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded expansion and working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.75	32.84	33.24
EBITDA	Rs. Cr.	2.09	1.55	1.75
PAT	Rs. Cr.	1.29	0.78	0.95
EBITDA Margin	(%)	6.00	4.71	5.25
PAT Margin	(%)	3.70	2.39	2.85
ROCE	(%)	18.31	14.61	36.80
Total Debt/Tangible Net Worth	Times	0.92	1.51	1.38
PBDIT/Interest	Times	4.27	3.53	3.17
Total Debt/PBDIT	Times	2.52	3.20	2.55
Gross Current Assets (Days)	Days	92	76	76

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
24-Apr-18	Cash Credit	Long term	5.00	ACUITE BB/Stable (Reaffirmed)
	Proposed Cash Credit	Long term	1.50	ACUITE BB/Stable (Assigned)
	Term Loan	Long term	0.68	ACUITE BB/Stable (Reaffirmed)
	Proposed Long Term Loan	Long term	1.22	ACUITE BB/Stable (Reaffirmed)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Reaffirmed)
07-Apr-17	Cash Credit	Long term	5.00	ACUITE BB/Stable (Assigned)
	Term Loan	Long term	0.68	ACUITE BB/Stable (Assigned)
	Proposed Long Term Loan	Long term	2.72	ACUITE BB/Stable (Assigned)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Assigned)

*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	6.50 (Enhanced from Rs.5.00 crore)	ACUITE BB/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.24 (Revised from Rs.0.68 crore)	ACUITE BB/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.30	ACUITE BB/Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.65	ACUITE BB/Stable (Assigned)
Letter Of Credit	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.71	ACUITE BB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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