

## Press Release

### Jo Bland Enterprises

May 15, 2020

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.13.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.13.00 crore bank facilities of Jo Bland Enterprises (JBE). The outlook is '**Stable**'.

Jo Bland Enterprises (JBE) was established in 1990 as a partnership firm by Mr. Jose James and Mrs. Sindhu James. The firm is engaged in manufacturing of plastic packaging products such as LPDE Bags, Stretch films, Shrink films and HMHDPE bags. Its manufacturing facility is located at Bengaluru with the installed capacity of 3500 Metric Tonnes Per Annum (MTPA).

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- Long track record of operations and experienced promoters**

JBE is operating since 1990. The promoters, Mr. Jose James and Mrs. Sindhu James, have extensive experience of almost three decades in the packaging industry. Their extensive experience has enabled JBE to establish relationship with reputed market player such as Nestle, HUL and ITC. Acuite believes that the experience of the management is expected to support in improvement of the business risk profile over the medium term.

- Moderate financial risk profile**

JBE has moderate financial risk profile marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs. 6.12 crore as on 31 March, 2019 as against Rs. 5.78 crore as on 31 March, 2018. The gearing stood at 1.19 times as on 31 March, 2019 as against 0.92 times as on 31 March, 2018. The total debt of Rs. 7.27 crore as on 31 March, 2019 consists of working capital borrowing of Rs. 4.78 crore and term loan of Rs.2.49 crore. Debt protection metrics are also moderate marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) both stood at 2.80 times for FY2019. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.21 times in FY2019. Acuite believes that the firm is likely sustain its financial risk profile in the near to medium term.

- Efficient working capital management**

JBE's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) in the range of 64-72 days historically due to prudent inventory management, and efficient collection of trade receivables supported by reputed clientele. The inventory days of less than two weeks marked by 9 days for FY2019 as compared to 12 days for FY2018. The firm extends credit of about two-three months on an average to its clientele. Acuite believes that JBE's operation continues to be efficiently managed supported by moderate net worth, efficient collection mechanism and in time inventory levels.

## Weaknesses

### • Modest albeit improving scale of operations

JBE has modest scale of operations marked by Rs.36.86 crores in FY2019 as against Rs.34.75 crores in FY2018 and Rs.32.84 crores as on FY2017. The revenues reported very marginal improvement year-on-year basis. Further, revenue reported for FY2020 and FY2021 is more likely to be the similar levels as FY2019 due to COVID-19 impact.

### • Susceptibility of profitability to volatility in raw material prices

The prices of plastic polymers, being a derivative of crude, are highly volatility in nature. Further, the margins are susceptible to volatility in raw material prices. The net margins shown the fluctuating trend and the same stood at 2.68 percent in FY2019 as against 3.70 percent in FY2018 and 2.39 percent for FY2017.

## Rating Sensitivities

- Substantial improvement in scale of operation, while improving profitability margin.
- Deterioration in financial risk profile.

## Material covenants

None

## Liquidity Position: Adequate

Liquidity profile of JBE is adequate reflected by sufficient net cash accruals against its maturing debt obligations. JBE has reported cash accruals of Rs.1.55 crore in FY2019 and expected to generate cash accruals in the range of Rs.1.50-1.65 crore over the medium term. The repayment obligations are expected to remain in the range of Rs.0.50-1.00 crore for the period FY2020-2022. The current ratio stood at 1.34 times in FY2019. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accrual against debt repayments.

## Outlook: Stable

Acuite believes that JBE will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability, while managing working capital cycle efficiently. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues or in case of deterioration in the firm's financial risk.

## About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	36.86	34.75
PAT	Rs. Cr.	0.99	1.29
PAT Margin	(%)	2.68	3.70
Total Debt/Tangible Net Worth	Times	1.19	0.92
PBDIT/Interest	Times	2.80	4.27

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

None

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**
<https://www.acuite.in/view-rating-criteria-55.htm>
**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Mar-2019	Cash Credit	Long Term	6.50	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	0.24	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	1.30	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	2.65	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.71	ACUITE BB / Stable (Reaffirmed)
24-Apr-2018	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)

**\*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	6.50	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.24	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	1.30	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	2.65	ACUITE BB / Stable (Reaffirmed)
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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