

## Press Release

Jo Bland Enterprises

November 08, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.60	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	11.40	ACUITE BB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	13.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A Four Plus**) to the Rs. 13.00 Cr bank facilities of Jo Bland Enterprises (JBE). The outlook is '**Stable**'.

### The rationale for the rating reaffirmation

The reaffirmation of the rating reflects established track record, as well as the extensive experience of its promoters in plastic films and flexible packaging industry, established clientele, stable operating performance and moderate working capital management. However, the ratings also reflect stretched liquidity position, below average financial risk profile, susceptibility of its profits to volatility in raw material prices and risks of withdrawal of capital by partners.

### About the Company

JBE is a partnership firm established in the year 1990 is engaged in manufacturing of plastic films and flexible packaging products consisting of LPDE Bags, Stretch films, Shrink films and HMHDPE bags. In addition, the firm manufactures printed bags as per specification received from customers. The manufacturing facilities are situated in Manur and Kolar districts of Karnataka with an installed production capacity of 4000 tons per annum in FY22 and utilization of 84 percent over the same period.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- Long track record of operations and experienced promoters

JBE is operating since 1990 promoted by 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. We believe that the experience of the management is expected to support in improvement of the business risk profile over the medium term.

- **Stable operating performance**

The firm generated revenue in the range of Rs 36.85 Cr to Rs 49.17 Cr over past 3 years ended FY2022. While maintaining the operating margins in the range of 5.69 percent to 7.17 percent over the same period. Acuité believe the company will be able to maintain its revenue and margins.

- **Moderate Working capital management**

The working capital management of the firm remained moderate with gross current asset days (GCA) days at 68 days as on March 31, 2022 as against 77 days as on March 31, 2021. Inventory days stood at 14 days as on March 31, 2022 as against 13 days as on March 31, 2021. Subsequently, the payable period stood at 6 days as on March 31, 2022 as against 2 days as on March 31, 2021 respectively. The debtors day stood at 60 days as on March 31, 2022 as against 61 days as on March 31, 2021. Further, the average bank limit utilization in the last six months ended August, 2022 remained at ~90 percent for fund based. Acuité believes that the operations of the JBE will remain moderate over the medium term.

## **Weaknesses**

- **Below average Financial risk profile**

The firm's below average financial risk profile is marked by low net worth, high gearing and weak debt protection metrics. The net worth of the company stood at Rs.7.39 Cr and Rs.6.92 Cr as on March 31, 2022 and 2021 respectively. The gearing of the company has been deteriorating over the last 2 years ending March 31, 2022. It stood at 1.46 times as on March 31, 2022 against 1.44 times as on March 31, 2021. The deterioration is on account of high debt and low net worth. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 3.33 times and 0.92 times as on March 31, 2022 respectively as against 3.33 times and 0.60 times as on March 31, 2021 respectively. TOL/TNW stood at 1.65 times and 1.53 times as on March 31, 2022 and 2021 respectively. The deterioration in DSCR ratio is on account of low net cash accruals and high repayment. The debt to EBITDA of the company stood at 3.79 times as on 31 March, 2022(Prov.) as against 3.34 times as on 31st March, 2021. Acuité believes that the financial risk profile of the company would improve supported by increase in accruals in the medium term.

- **Risks of withdrawal of capital by partners**

Entity, being a partnership firm, is exposed to adverse capital structure risk, where any substantial capital withdrawal could negatively impact its net worth and capital structure and the liquidity position.

- **Susceptibility of profitability to volatility in raw material prices**

The prices of plastic polymers, being a derivative of crude, are highly volatility in nature. Margins of the firm are susceptible to volatility in raw material prices. Any unfavorable movement in raw material pricing will hugely impact the profitability of firm, especially with major FMCG companies as major clients with whom, the firm does not have major bargaining power.

## **Rating Sensitivities**

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

## **Material covenants**

None

### Liquidity Position: Stretched

The firm's liquidity is stretched marked by cash accruals in the range of Rs.1.67-1.71 Cr during last two years ending FY2022 as against its maturing long term debt obligations in the range of Rs.1.47-1.89 Cr for the same period. The current ratio stood at 1.15 times as on March 31, 2022 against 1.10 times in previous year and the fund based limit remains fully almost utilized over the six months ended August, 2022. Unencumbered cash and bank balances stood at Rs. 0.00 Cr as on March 31, 2022. JBE is expected to generate NCA in range of Rs.2.33-2.53 Cr against modest maturing debt obligations in range of Rs.1.39-1.44 Cr over the medium term. Acuité believes that the liquidity of the company will improve supported by increase in accruals in the medium term.

### Outlook: Stable

Acuité believes that JBE will maintain a 'Stable' outlook over the medium term supported by 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	49.17	39.73
PAT	Rs. Cr.	0.67	0.66
PAT Margin	(%)	1.36	1.66
Total Debt/Tangible Net Worth	Times	1.46	1.40
PBDIT/Interest	Times	3.33	3.33

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Cash Credit	Long Term	6.50	ACUITE BB   Stable (Reaffirmed)

13 Aug 2021	Term Loan	Long Term	1.66	ACUITE BB   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.94	ACUITE BB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.54	ACUITE BB   Stable (Assigned)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.76	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	0.24	ACUITE BB (Withdrawn)
15 May 2020	Term Loan	Long Term	2.65	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	1.30	ACUITE BB   Stable (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BB   Stable (Reaffirmed)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.71	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	0.24	ACUITE BB   Stable (Reaffirmed)
23 Mar 2019	Term Loan	Long Term	0.24	ACUITE BB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.71	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	2.65	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	6.50	ACUITE BB   Stable (Reaffirmed)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	1.30	ACUITE BB   Stable (Assigned)
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)
07 Apr 2017	Cash Credit	Long Term	5.00	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	0.68	ACUITE BB   Stable (Assigned)
		Long		ACUITE BB   Stable
	Proposed Long Term Loan	Term	2.72	(Assigned)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	9.85	Not Applicable	Simple	6.50	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.60	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.94	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Oct 1 2019 12:00AM	9.85	Feb 29 2024 12:00AM	Simple	1.66	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Oct 1 2019 12:00AM	9.85	Nov 30 2023 12:00AM	Simple	0.76	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Mar 31 2021 12:00AM	7.50	Mar 31 2025 12:00AM	Simple	1.54	ACUITE BB   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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