



Press Release
Jo Bland Enterprises
January 24, 2024
Rating Reaffirmed

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

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**'.

Rationale for the rating reaffirmation

The rating reaffirmation takes into account the improved operating income albeit slight moderation recorded in EBITDA margin and below average financial profile of JBE. The operating income of the firm has been consistently growing since the last two years from FY2021. The firm's revenue stood at Rs.59.14 Cr in FY2023 as against Rs. 49.17 Cr in FY2022. The operating margins stood at 4.87 percent in FY2023 as against 5.69 percent in FY2022. The financial risk profile of the firm continues to remain below average with moderate debt protection metrics and gearing levels. The overall gearing of the firm stood at 1.21 times as on March 31, 2023 as against 1.46 times as on March 31, 2022. The debt service coverage ratio stood at 1.11 times in FY2023 as against 2.96 times in FY2022. The working capital operations are efficient in nature with GCA days of 62 days as on March 31, 2023 as against 76 days as on March 31, 2022.

The rating is however constrained on account of risk associated with withdrawal of capital by partners, and susceptibility of profitability to volatility in raw material prices.

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 specifications received from its customers. The manufacturing facilities are situated in Manur and Kolar districts of Karnataka with an installed production capacity of 4000 tons per annum in FY2023 with utilization levels of ~ 84 percent over the same period.

Unsupported Rating

Not Applicable

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 has been operating since 1990 promoted by Mr. Jose James and Mrs. Sindhu James, having 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 the improvement of the business risk profile over the medium term.

- **Stable operating performance**

The firm has reported revenues of Rs.59.14 Cr in FY2023 with YOY growth of 20.27 percent as against Rs. 49.17 Cr in FY2022. While maintaining the operating margins in the range of 4.87 percent to 5.69 percent over the same period. Acuite believe the firm will be able to maintain its revenue and margins.

- **Efficient Working capital management**

The working capital management of the firm remained efficient with GCA days at 62 days as on March 31, 2023 as against 76 days as on March 31, 2022. Inventory days stood at 13 days as on March 31, 2023 as against 14 days as on March 31, 2022. Subsequently, the payable period stood at 6 days as on March 31, 2023 as against 6 days as on March 31, 2022 respectively. The debtor day stood at 49 days as on March 31, 2023 as against 60 days as on March 31, 2022. Further, the average bank limit utilization in the last six months ended November 2022 remained at ~68 percent for fund based limits. Acuite believes that the operations of JBE will remain efficient over the medium term.

Weaknesses

- **Below average financial risk profile**

The financial risk profile of the firm remained below average. It is marked by low net worth, moderate gearing, and below average debt protection metrics. The net worth of the firm stood at Rs.7.82 Cr and Rs.7.39 Cr as on March 31, 2023 and 2022 respectively. The gearing of the firm stood at 1.21 times as on March 31, 2023 against 1.46 times as on March 31, 2022. The improvement in gearing is on account of repayment of long term debt. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.92 times and 1.11 times as on March 31, 2023 respectively as against 3.33 times and 2.96 times as on March 31, 2022 respectively. TOL/TNW stood at 1.38 times and 1.64 times as on March 31, 2023 and 2022 respectively. The deterioration in the DSCR ratio is on account of decrease in net cash accruals. The debt to EBITDA of the firm stood at 3.25 times as on March 31, 2023 as against 3.79 times as on March 31, 2022. Acuite believes that the financial risk profile of the company would improve supported by expected increase in accruals over the medium term.

- **Risk associated with withdrawal of capital by the partners**

The Firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm. □

- **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 may significantly impact the profitability of firm, especially with major FMCG companies as major clients with whom, the firm does not have adequate bargaining power.

Rating Sensitivities

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

Liquidity Position: Adequate

The firm's liquidity is adequate marked by generation of adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.60 Cr in FY2023, against its maturing debt obligations of Rs. 1.34 Cr during the same period. Going forward the firm is expected to generate net cash accruals of Rs. 2.12- 2.80 Cr in FY 2024-25 against Rs.1.23-1.58 Cr debt obligations. The current ratio stood at 1.14 times as on March 31, 2023 against 1.16 in previous year. Further, the average fund-based bank limit utilization in the last six months ended November 2023 remained at ~68 percent.. Acuité believes that the liquidity of the firm will improve supported by expected increase in accruals over 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 profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	59.14	49.17
PAT	Rs. Cr.	0.69	0.67
PAT Margin	(%)	1.16	1.36
Total Debt/Tangible Net Worth	Times	1.21	1.46
PBDIT/Interest	Times	2.92	3.33

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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, Acuite 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Nov 2022	Working Capital Term Loan	Long Term	1.54	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 Long Term Loan	Long Term	0.94	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.66	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	0.76	ACUITE BB Stable (Reaffirmed)
13 Aug 2021	Cash Credit	Long Term	6.50	ACUITE BB Stable (Reaffirmed)
	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)
	Working Capital Term Loan	Long Term	1.54	ACUITE BB Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.94	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.66	ACUITE BB Stable (Reaffirmed)

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	Not Applicable	Not Applicable	Simple	7.25	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	0.19	ACUITE BB Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	01 Oct 2019	Not available	29 Feb 2024	Simple	1.66	ACUITE BB Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	29 Feb 2024	Simple	0.76	ACUITE BB Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	31 Mar 2021	Not available	31 Mar 2025	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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