

## Press Release

**Jci Chemicals India Private Limited**

August 24, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 5.00 Cr.
<b>Long Term Rating</b>	SMERA B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B** (read as **SMERA B**) on the Rs. 5.00 crore bank facilities of Jci Chemicals India Private Limited. The outlook is '**Stable**'.

The Kolkata-based JCI Chemicals India Private Limited (JCI Chemicals) was incorporated in 2000. The company promoted by Mr. Raghu Nath Sarkar, Mr. Aman Bahri, Mr. Arunava Bhattacharjee is engaged in the trading of chemicals used in the tanning of leather.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The promoters, Mr. Raghu Nath Sarkar, Mr. Aman Bahri and others have around a decades experience in the chemical industry.

- **Average financial risk profile**

The financial risk profile is average marked by modest net worth base, low gearing, and moderate debt protection measures. The net worth stood at Rs.8.57 crore in FY2017 (Provisional) as against Rs 8.51 crore in FY2016. The gearing stood at 0.65 times as on 31 March 2017 (Provisional), compared to 0.45 times in the previous year. The interest coverage ratio (ICR) and Debt Service coverage ratio (DSCR) stood at 1.09 times and 1.10 times in FY2017 (Provisional) compared to 1.38 times and 1.29 times in FY2016.

#### Weaknesses

- **Modest scale of operations**

The scale of operations is modest. The revenue increased in FY2017 (Provisional) to Rs.56.37 crore from Rs.36.49 crore in FY2016 mainly due to increase in order flow. The company also expanded its operations to Chennai, Pune and Gujarat. SMERA believes that the operations will improve over the medium term with the increase in order flow and addition of new clients.

- **Working capital intensive business**

The nature of operations continue to be working capital intensive marked by high gross current asset (GCA) days of 235 in FY2017 (Provisional) compared to 320 days in FY2016. This is mainly on account of high debtor days of 208 and 287 in FY2017 (Provisional) and FY2016 respectively. The company caters to tanneries in Kolkata, Delhi, Kanpur, Jalandhar among others. The inventory days stood at 25 in FY2017 compared to 22 in FY2016. The working capital intensive operations have led to full utilisation of cash credit facility in the last six months ended July 2017.

- **Thin profit margins**

The operating margins increased to 1.26 per cent in FY2017 (Provisional) from 0.60 per cent in FY2016. The net profit margin remained at 0.11 percent in FY2017 (Provisional). The thin margins

are mainly due to the trading nature of business.

### **Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the company.

### **Outlook: Stable**

SMERA believes that JCI Chemicals will continue to benefit over the medium term from the promoters long experience in the chemicals industry. The outlook may be revised to 'Positive' if JCI Chemicals achieves more than envisaged sales and profitability while efficiently managing its working capital. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

### **About the Rated Entity - Key Financials**

The company reported profit after tax (PAT) of Rs 0.04 crore on operating income of Rs 36.49 crore in FY2015-16 as against PAT of Rs 0.03 crore on operating income of Rs 43.45 crore in FY2014-15.

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

None

### **Any other information**

None

### **Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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)**

Not Applicable

### **\*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	5.00	SMERA B / Stable

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## ABOUT SMERA

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