

Press Release

Jci Chemicals India Private Limited

August 24, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	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

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Shreya Vaidya Analyst - Rating Operations Tel: 033-66201217 shreya.vaidya@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*
