

Press Release

J V Conbuild Private Limited

07 September, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.15.00 crore bank facilities of J V Conbuild Private Limited (JVCPL). The outlook is '**Stable**'.

JVCPL, is an Ahmedabad-based company incorporated in 2013 by Mr. Sandeep Bajaj, Mr. Tanuj Rajkumar Pugalia and Mr. Rajinder Singh. The company manufactures packaging material (printed and laminated paper foil) for pan masalas, food products. It caters to several sectors including pharma and FMCG. The installed capacity stands at 1000 MT/month.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Bajaj and Mr. Pugalia, possess more than four decades of experience in the FMCG industry.

- **Growth in revenues**

JVCPL's operating income improved to Rs.154.96 crore for FY2017 (Provisional) compared to Rs.137.74 crore in FY2016 and Rs.89.72 crore in FY2015. The increase in revenue is on account of addition of capacities, resulting in growth in volume.

- **Comfortable working capital operations**

The working capital operations are comfortable with gross current assets (GCA) of 87 days in FY2017 (Provisional) as against GCA of 92 days in FY2016 on account of low debtors. The inventory levels stood at 51 and 37 days respectively in FY2017 (Provisional). The average working capital utilisation has been ~90 percent in the last six months ended July 2017.

- **Moderate financial risk profile**

The financial risk profile is moderate with net worth of Rs.14.49 crore as on 31 March, 2017 (Provisional). The gearing (debt-to-equity ratio) stood at 0.76 times as on 31 March, 2017 (Provisional) compared to 0.88 times as on 31 March, 2016. The coverage indicators are moderate with interest coverage ratio (ICR) of 5.33 times for FY2017 (Provisional) compared to 11.95 times for FY2016. The Debt service coverage ratio (DSCR) stood at 2.91 times for FY2017 (Provisional) and 5.40 times for FY2016.

Weaknesses

- **Declining operating margins**

JVCPL's operating profit margin (EBIDTA) stood at 4.81 percent in FY2017 (Provisional) compared

to 5.29 percent in FY2016 and 5.15 per cent in FY2015. The decline is on account of increase in employee cost and cost of manufacturing as a percent of sales.

• Customer concentration risk

JVCPL is exposed to customer concentration risk as ~70 percent revenue in FY2017 (Provisional), was generated from Vimal Pan Masala (Vimal Group).

• Vulnerability of margins to fluctuations in the prices of aluminum, intense competition

JVCPL's profitability is susceptible to volatility in raw material prices of aluminum. Any adverse movement in aluminum prices may impact profitability. Further, the company operates in a highly fragmented and competitive packaging industry with a large number of organised and unorganised players limiting the bargaining power.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes that JVCPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenue while achieving improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company registered profit after tax (PAT) of Rs.0.78 crore on operating income of Rs.154.65 crore as against net profit after tax of Rs.2.63 crore on operating income of Rs.137.74 crore in the previous year. The net worth stood at Rs.14.49 crore as on 31 March 2017 (Provisional) as compared to Rs.13.70 crore as on 31 March 2016.

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

Not Applicable

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.94	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.55	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.31	SMERA A4+

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ABOUT SMERA

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