Press Release

J V Conbuild Private Limited

September 24, 2018

Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded and Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BB+**' **(read as ACUITE BB plus) from 'ACUITE BB' (read as ACUITE double B)** on the Rs. 9.14 crore bank facilities. Further, Acuité has assigned a long term rating of **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs. 5.86 crore bank facilities of J V Conbuild Private Limited. The outlook is **'Stable'**.

The upgrade reflects Acuité's belief that JCPL will further strengthen its business risk profile over the medium term, backed by improvement in revenues and operating margins while maintaining a stable financial risk profile.

J V Conbuild Private Limited (JCPL) incorporated in 2011 by Mr. Sandeep Bajaj, Mr. Tanuj Rajkumar Pugalia and Mr. Rajinder Singh. The company is engaged in manufacturing of packaging material for tobacco products, food products, pharma sector and consumer FMCG sector. The company has an installed capacity of 1000 MT/month.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of J V Conbuild Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

  The company is promoted by Mr. Sandeep Bajaj, Mr. Tanuj Rajkumar Pugalia and Mr. Rajinder Singh who possesses an experience of over a decade in the said industry. JCPL is expected to continue to leverage from its well established relationships with marquee clients an d reputed suppliers over the medium term. Acuité believes that JCPL will continue to benefit from its experienced management.

- **Healthy financial risk profile**

  JCPL has healthy financial risk profile marked by tangible net worth of Rs.18.06 crore as on 31 March, 2018 (Provisional) as against Rs.14.86 crore as on 31 March, 2017. The net worth includes redeemable non- convertible preference shares of Rs.11.35 crore as on 31 March, 2018 (Provisional) which is considered as quasi equity as same is redeemable after 12 years from FY2015. The gearing stood at 0.82 times as on 31 March, 2018 (Provisional) as against 0.74 times as on 31 March, 2017. The debt of Rs.14.79 crore as on 31 March, 2018 (Provisional) mainly comprises of term loan of Rs.7.39 crore, unsecured loan of Rs.0.52 crore and working capital borrowing of Rs.6.87 crore. Interest Coverage Ratio (ICR) has improved to 7.84 times for FY2018 (Provisional) from 5.32 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 3.94 times for FY2018 (Provisional) as against 2.74 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.46 times as on 31 March, 2018 (Provisional) as against 3.21 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.52 times as on 31 March, 2018 (Provisional) as against 0.06 times as on 31 March, 2017. Going forward, Acuité expects the financial risk profile to improve in near to medium term in absence of major debt funded capital expenditure plans and moderate net cash accruals.

- **Improving revenue and profitability**
  The revenues of the company have improved to Rs.175.91 crore in FY2018 (Provisional) from Rs.155.05 crore in FY2017. The EBITDA margins of the company improved substantially to 5.87 percent in FY2018 (Provisional) from 4.85 percent in FY2017. The PAT margins have also increased to 1.82 percent FY2018 (Provisional) from 0.74 percent in FY2017. Being a manufacturer of packing materials, the revenue of JCPL depends on the growth in FMCG sector.

- **Comfortable working capital operations**
  JCPL's working capital operations are comfortable marked by Gross Current Assets (GCA) of 94 days in FY2018 (Provisional) compared to 108 days in FY2017. The improvement in GCA days is mainly on account of decrease in debtor days of 31 in FY2018 (Provisional) compared to 59 days in FY2017. The inventory days stood at 59 for FY2018 (Provisional) and 37 days for FY2017. The lower working capital intensity is further reflected from the low utilisation of ~65.00 percent of its working capital facilities. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Dependence on single customer**
  JCPL generates 90.00 percent of the revenue from Vishnu Pouch Packaging Private Limited (a Vimal Group Company). Even though the company does supply to other companies in the FMCG sector, it is yet to form any strong business relationship. In those regards, any change in the purchase policies for Vishnu Packaging Private Limited will have a significant impact on the revenues of JCPL.

- **Competitive and fragmented industry**
  JCPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Outlook: Stable

Acuité believes that JCPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and steady flow of orders. The outlook may be revised to 'Positive' if the company generates substantial revenues and operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	175.91	155.05	137.74
EBITDA	Rs. Cr.	10.32	7.52	7.29
PAT	Rs. Cr.	3.20	1.15	2.63
EBITDA Margin	(%)	5.87	4.85	5.29
PAT Margin	(%)	1.82	0.74	1.91
ROCE	(%)	20.63	12.79	21.43
Total Debt/Tangible Net Worth	Times	0.82	0.74	0.88
PBDIT/Interest	Times	7.84	5.32	11.95
Total Debt/PBDIT	Times	1.43	1.45	1.64
Gross Current Assets (Days)	Days	94	108	112

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Sep-2017	Cash Credit	Long Term	7.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	2.94	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	1.55	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.20	ACUITE A4+ (Assigned)
	Proposed Short Term Loan	Short Term	0.31	ACUITE A4+ (Assigned)

*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	7.00	ACUITE BB+ / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.13	ACUITE BB+ / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.01	ACUITE BB+ / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.31	ACUITE BB+ / Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.55	ACUITE BB+ / Stable (Assigned)

Cash Credit (CC) facility contains sublimit of Letter of Credit (LC) to the extent of Rs. 3.00 crore, Buyer 's Credit to the extent of Rs. 3.00 crore and Bank Guarantee (BG) to the extent of Rs. 1.00 crore.

Contacts

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About Acuité Ratings & Research:
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