

Press Release
JIN PLAST (INDIA) LIMITED

May 27, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 9.50 crore bank facilities of JIN PLAST (INDIA) LIMITED (JPIL). The outlook is '**Stable**'.

The re-affirmation of the rating reflects moderate business risk profile, backed by promoter's extensive experience and established track record of operations. These strengths are partially offset by moderate scale of operations, below average financial profile, high working capital intensive nature of its operations.

Chennai based, JPIL was incorporated in 1995 promoted by Mr. Mukesh Kumar Chhalani, Mr. Binith Kumar Chhalani, Mr. Dilip Kumar Chhalani and Mr. Deepak Chhalani. The company is engaged in the manufacturing of plastic crates, drums and household furniture at Sriperumbudur, Tamil Nadu and has installed capacity of 1800 Metric tonnes per annum.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of JIPL to arrive at the rating.

Key Rating Drivers

Strengths

• **Experienced promoters and long track record of operations**

JIPL was incorporated in 1995. The company was promoted by Mr. Mukesh Kumar Chhalani, Mr. Binith Kumar Chhalani, Mr. Dilip Kumar Chhalani and Mr. Deepak Chhalani who possess more than two decades of experience in the plastic industry. JIPL has a long operational track record of more than two decades in the plastic crates and household furniture business. JIPL manufactures components majorly for fisherman, farmers among others. The promoters are involved in the functional areas of the business, and established longstanding relationships with suppliers and customers which helped in getting repeat orders from its clientele. It helped in improving the revenues at a compound annual growth rate (CAGR) of 20.75 percent over three years through FY2019 (provisional). The Company has healthy relationship with the suppliers for procurement of raw materials (plastic modules / granules) which helped in healthy operating margins at about 13 percent. Further, for FY2019, the Company has reported revenues of about Rs.20.40 crore (provisional). Acuité believes that the firm is expected to benefit from the promoters' established presence and the relationship with the stakeholders in improving its business risk profile over the medium term.

Weaknesses

• **Below-average financial risk profile**

JIPL's financial risk profile is marked by high gearing and TOL/TNW and moderate debt protection metrics. The net worth is modest at Rs.4.23 crore in FY2018 as against Rs.3.97 crore in FY2017 due to accretion to reserves. Gearing and TOL/TNW are high at 2.64 and 3.1 times as on March 31, 2018 against 2.37 and 2.69 times as on March, 2017. Its debt protection metrics are moderate reflected by interest coverage ratio and net cash accruals to total debt of 1.73 and 0.07 times in FY2018 in line with FY2017. The company generated annual cash accruals at around Rs.0.75 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.65 crore over the same period. The cash accruals of the company are estimated to remain around Rs.0.75 – 1.00 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 0.65 – 0.70 Crore leaving marginal flexibility. Acuité believes that with modest accruals to repayment obligations and working capital intensive operations, the financial risk profile is expected to be at similar levels over the medium term.

- **High working capital intensive operations**

JIPL's operations are highly working capital intensive as evident from Gross Current Assets (GCA) of 284 days as on March 31, 2018 as against 294 days as on March 31, 2017; it's working capital cycle is long (FY18: 254 days; FY17: 259 days); this is primarily due to high inventory days (FY18: 142 days; FY17: 115 days) and high debtor days (FY18: 157 days; FY17: 181 days). High working capital intensive operations lead to high utilisation of its working capital limits at about 99 percent over the past six months ended April 2019. Acuité believes that any significant increase in the working capital will have a bearing on the liquidity profile of the company.

Liquidity Position:

Company has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations and high bank limit utilisation. Its cash accruals are modest at Rs.0.75 crore in FY2018. The cash accruals are estimated to remain around Rs.1.00 crore during 2019-21 while its repayment obligation are estimated at around Rs. 0.65 – 0.70 Crore. The JIPL's operations are highly working capital intensive with GCA of 284 days in FY2018; lead to high utilisation of its working capital limits at about 99 percent over the past six months ended April 2019. The current ratio of the JIPL stands above at 1.50 times historically through March 31, 2018. The company is likely to incur regular capex about Rs. 0.25 – 0.45 crore over the medium which is likely to be funded by equity. Acuité believes that the liquidity of the JIPL continues to be at similar levels owing to modest scale of revenues and high working capital intensive operations.

Outlook: Stable

Acuité believes that the outlook on JIPL will remain 'Stable' over the medium term on account of experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in its revenues while maintaining the profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18(Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.54	13.07	11.58
EBITDA	Rs. Cr.	2.05	1.74	1.78
PAT	Rs. Cr.	0.26	0.41	(0.03)
EBITDA Margin	(%)	13.17	13.29	15.37
PAT Margin	(%)	1.68	3.16	(0.24)
ROCE	(%)	10.74	11.18	15.64
Total Debt/Tangible Net Worth	Times	2.64	2.37	2.62
PBDIT/Interest	Times	1.73	1.74	1.79
Total Debt/PBDIT	Times	5.42	5.38	5.24
Gross Current Assets (Days)	Days	284	294	315

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
10-Jan-2018	Cash Credit	Long Term	4.90	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	1.92	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	2.30	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	0.38	ACUITE B+ / Stable (Assigned)
18-Mar-2019	Cash Credit	Long Term	4.90	ACUITE B+ Issuer not co-operating*
	Term Loan	Long Term	1.92	ACUITE B+ Issuer not co-operating*
	Term Loan	Long Term	2.30	ACUITE B+ Issuer not co-operating*
	Term Loan	Long Term	0.38	ACUITE B+ Issuer not co-operating*

*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	6.00 (Enhanced from 4.90)	ACUITE B+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.38	ACUITE B+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.97	ACUITE B+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.56	ACUITE B+ / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.59	ACUITE B+ / Stable (Assigned)

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-40055452 bhavanisankar.oruganti@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited)

www.acuite.in

registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.