

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 JPIL to arrive at the rating.

Key Rating Drivers

Strengths

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

JPIL 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. JPIL has a long operational track record of more than two decades in the plastic crates and household furniture business. JPIL 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**

JPIL'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; its 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. Acuite 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. Acuite 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

Acuite 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) |

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