

Press Release

JML MARKETINGS PRIVATE LIMITED

22 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 92.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (**read as SMERA BBB**) and short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) on the Rs.92.00 crore bank facilities of JML MARKETINGS PRIVATE LIMITED (JML). The outlook is '**Stable**'.

JML Marketings Private Limited (the erstwhile Jagannath Madan Lal) was established as a proprietorship firm in 1950 and converted to private limited in 2002. The company is engaged in the manufacturing, packaging and trading of edible oil - mustard, refined, vanaspati and edible vegetable oil at Allahabad. It sells its products under the Fit N lite, Sarson Lite and Lite Drop brand names. The installed capacity stands at 7560000 kgs. The company generates around 70 per cent revenue from manufacturing and 30 per cent from trading. Besides, JML also has sole distributorship of the Fortune Brand of edible oils (Adani Wilmar Limited) for Allahabad, Varanasi, Ghaziabad, Jabalpur and Amritsar.

Key Rating Drivers

Strengths

• **Established track record of operations and experienced management**

The company has established track record of operations of more than three decades in the FMCG sector. It is promoted by Mr. Kimiti Lal Arora (Director) and Mr. Anil Arora (Managing Director) .The Directors have more than three decades of experience in the edible oil industry.

• **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 33.30 crore as on 31 March, 2017 as against Rs.23.92 crore as on 31 March, 2016. The gearing stood at 1.67 times as on 31 March, 2017 as against 1.81 times as on 31 March, 2016. The total debt of Rs 55.47 crore outstanding as on 31 March, 2017 comprises Rs. 9.79 crore of term loan and Rs. 45.68 crore of working capital borrowing from the bank. The Interest Coverage ratio stood at 2.33 times in FY2017 as against 2.17 times in FY2016. The Debt Service Coverage ratio stood at 1.91 times in FY2017 as against 1.81 times in FY2016. The net cash accruals stood at Rs. 4.78 crore in FY2017 as against Rs. 3.85 crore in FY2016. The net cash accruals to total debt ratio stood at 0.09 times in FY2017 as against 0.09 times in FY2016.

• **Comfortable working capital cycle**

JML has comfortable working capital cycle reflected in the Gross Current Asset days which stood at 79 in FY2017 as against 66 in FY2016. The inventory days are comfortable at 29 days in FY2017 and 32 days in FY2016. The receivable days stood at 49 days in FY2017 as against 34 days in FY2016. The working capital cycle days are also comfortable at 77 days in FY2017 as against 64 days in FY2016. The average bank limit utilisation stood at ~90 percent for the last six months ended November 2017.

- **Comfortable profitability margins**

The profitability margins of the company have been comfortable during FY2015 to FY2017. The EBITDA margins stood at 3.06 per cent in FY2017, 2.86 per cent in FY2016 and 2.61 per cent in FY2015. The PAT margins stood at 1.11 per cent in FY2017 as against 0.98 per cent in FY2016.

Weaknesses

- **Susceptibility of margins to fluctuations in raw material prices:**

The company is engaged in the manufacturing of edible oil. Since the prices of crude are volatile, adverse changes in prices can directly impact profitability margins.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook on JML's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company achieves strong growth in revenues while registering improvement in profit margins and maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues, profit margins and capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	395.49	358.54	272.12
EBITDA	Rs. Cr.	12.10	10.25	7.10
PAT	Rs. Cr.	4.41	3.51	2.66
EBITDA Margin	(%)	3.06	2.86	2.61
PAT Margin	(%)	1.11	0.98	0.98
ROCE	(%)	15.18	17.21	27.90
Total Debt/Tangible Net Worth	Times	1.67	1.81	1.32
PBDIT/Interest	Times	2.33	2.17	2.48
Total Debt/PBDIT	Times	4.55	4.18	3.86
Gross Current Assets (Days)	Days	79	67	64

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

CARE Ratings in its press release dated 27 February 2017 inter alia has stated the following "CARE has been seeking information from J.M.L. Marketings (P) Ltd (JMPL) to monitor the ratings vide e-mail communications/letters dated August 31, 2016, December 05, 2016, January 30, 2016, February 1, 2017, February 2, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on JMPL's bank facilities will now be denoted as CARE BBB-/CARE A3; ISSUER NOT COOPERATING. The revision in ratings of JMPL takes into account the deterioration in the capital structure as well as debt protection metrics."

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	80.65	SMERA BBB / Stable
Term loan	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BBB / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.35	SMERA A3+

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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.

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