

Press Release

Jaybee Industries (Nalagarh Unit)

March 13, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 19.10 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 triple B minus)** and short term rating of **'SMERAA3' (read as SMERA A three)** on the Rs. 19.10 crore bank facilities of Jaybee Industries. The outlook is **'Stable'**.

Jaybee Industries was formed in 1981 as a proprietorship firm by Mr. Pankaj Agarwal. The firm is engaged in the manufacturing of distribution transformers. The company has two manufacturing unit located in Bhatinda (Punjab) and Nalagarh (Himachal Pradesh) with a combined installed capacity of 4000 pieces per month. The company directly caters to the different electricity boards such as Punjab State Electricity Board, Punjab State Power Corporation Limited, Uttar Pradesh Power Corporation Limited, and Gujarat Urja Vikas Nigam Limited among others. The company also supplies transformers to the local market in Punjab and Delhi.

The group was formed in 1981 with a single unit in Bhatinda (Punjab). In the year 2009 they started another unit with same line of business in Nalagarh (Himachal Pradesh). The proprietorship of Nalagarh unit has been transferred to Mr. Sandeep Agarwal, son of Mr. Pankaj Agarwal in April 2016.

SMERA has consolidated the business and financial risk profiles of Jaybee Industries – Bhatinda unit with Jaybee Industries – Nalagarh unit. The consolidation is in view of similar line of business, significant financial linkages and common management.

Key Rating Drivers

Strengths

• Experienced management and long track record of operation

Jaybee group has an experienced management having an experience of more than three decades. Promoter of JI, Mr. Pankaj Agarwal has been in the same line of business for more than three decades. JI has established track record of operations from 1981.

• Healthy financial risk profile

The financial risk profile of the group is marked by modest net worth, comfortable gearing and healthy debt protection measures. JI has a healthy net worth of Rs 14.61 crs as on 31st March'2017 as compared to Rs.12.96 crore in FY2016. The gearing of the company stood comfortable at 0.82 times in FY2017 as compared to 0.84 times in the previous year. The total debt of Rs 11.94 crs consists mainly of cash credit of Rs. 11.51 crores and term loan of Rs.0.43 crore. The debt protection measures of the company stood healthy with interest coverage of 3.17 times in FY'17 as compared to 2.52 times in FY'16. Debt service coverage ratio (DSCR) stood comfortable at 2.89 times in FY2017 as against of 2.40 times in previous year. The NCA/TD levels of the company stood at 0.36 times in FY'17 as against 0.28 times in the previous year.

• Efficient working capital management

The working capital management of the group is marked by gross current asset (GCA) days of 77 in FY2017 as against 88 days in the previous year. The collection period and inventory days stand moderate at 32 and 24 days respectively in FY2017 as compared to 51 and 26 days respectively in FY2016. The working capital cycle of the company also stands comfortable at 41 days in FY2017 as compared to 40 days in the previous year.

Weaknesses

• Modest scale of operation

The group has modest scale of operations is evident from the revenue of Rs.112.39 crore in FY2017 as against Rs.108.76 crore a year earlier. Going forward, SMERA believes the revenue of the company is likely to increase steadily on account of healthy order book position of Rs. 88.34 crore as on January 2018.

• Fluctuation in raw material price:

The group imports CRGO from countries like Netherland and China, etc. It also procures other raw material i.e. transformer oil, steel and aluminium from the domestic market. So it is exposed to fluctuations in raw material prices according to the economic conditions of importing countries as well as domestic market.

Outlook: Stable

SMERA believes the outlook on group rated facilities will remain stable over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of the company its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	112.39	108.76	113.64
EBITDA	Rs. Cr.	5.54	4.78	4.71
PAT	Rs. Cr.	3.82	2.48	2.44
EBITDA Margin	(%)	4.93	4.40	4.14
PAT Margin	(%)	3.40	2.28	2.15
ROCE	(%)	23.16	18.55	34.88
Total Debt/Tangible Net Worth	Times	0.82	0.84	1.23
PBDIT/Interest	Times	3.17	2.52	2.61
Total Debt/PBDIT	Times	1.88	2.14	2.81
Gross Current Assets (Days)	Days	77	88	87

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.60	SMERA BBB-/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	11.50	SMERA A3

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ABOUT SMERA

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