

Press Release

Jaybee Industries

Nalagarh Unit

May 27, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 19.10 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on Rs.19.10 crore bank facilities of JAYBEE INDUSTRIES – Nalagarh unit. The outlook is '**Stable**'.

Jaybee Industries was formed in 1981 as a proprietorship firm by Mr. Pankaj Agarwal and Mr. Pradeep Agarwal. The firm is engaged in the manufacturing of distribution transformers. The group has two manufacturing unit located in Bhatinda (Punjab) and Nalagarh (Himachal Pradesh). The group 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 UrjaVikas 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 Bhatinda unit has been transferred to Mr. Pankaj Agarwal, son of Mr. Pradeep Agarwal in April 2016.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Jaybee Industries - Bhatinda unit with Jaybee Industries - Nalagarh unit together referred to as Jaybee Group. 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 operations:**

Jaybee group has an experienced management having an experience of more than three decades. Promoter of JI, Mr. Pradeep 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 healthy net worth, comfortable gearing and healthy debt protection measures. JI has a healthy net worth of Rs 18.64 crores as on 31st March 2018 as compared to Rs.14.61 crore as on 31st March 2017. The gearing of the group stood comfortable at 0.64 times as on 31st March 2018 as compare to 1.00 times in the previous year. The total debt of Rs 11.84 crores consists mainly of cash credit of Rs. 10.54 crores, term loan of Rs.0.11 crore and current portion of long term debt of Rs. 0.17 crores and unsecured loan of Rs. 1.02 crore. The debt protection measures of the company stood healthy with interest coverage of 4.71 times for FY2018 as compared to 3.17 times for FY2017. Debt service coverage ratio (DSCR) stood comfortable at 4.08 times for FY2018 as against of 2.89 times for previous year. The NCA/TD levels of the company stood at 0.57 times in FY2018 as against 0.30 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 122 in FY2018 as against 85 days in the previous year. The collection period and inventory days stand moderate at 63 and 18

days respectively in FY2018 as compare to 32 and 24 days respectively in FY2017. The working capital cycle of the group also stands comfortable at 45 days in FY2018 as compare to 41 days in the previous year.

Weaknesses

- **Decline in operating income:**

Operating income of the group declined to Rs. 92.33 crore in FY2018 as against Rs.112.39 crore a year earlier. Going forward, ACUITE believes the revenue of the company is likely to increase steadily on account of healthy order book position of Rs. 49.56 Crore as on date.

- **Fluctuation in raw material price:**

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

Outlook: Stable

ACUITE 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 group's working capital cycle gets stretched or its financial risk profile deteriorates.

Liquidity Profile:

The group has a moderate liquidity position marked by average net cash accruals to its maturing debt obligations. Jaybee group generated net cash accruals of Rs.6.74 crore for the FY2018 with the maturing debt obligation of Rs.0.17 crore for the same period. The cash and cash equivalents stood at Rs.2.48 crore as on 31st March 2018 as against Rs.2.47 crore as on 31st March 2017. The current ratio of group stood at 1.29 times as on 31st March 2018 and 1.23 times as on 31st March 2017. The operations of the firm stood moderately working capital intensive in nature marked by Gross Current Assets (GCA) of 122 days in FY2018 as against 85 days in FY2017.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	107.42	92.33	112.39
EBITDA	Rs. Cr.	6.70	8.52	5.54
PAT	Rs. Cr.	5.41	6.28	3.82
EBITDA Margin	(%)	6.23	9.23	4.93
PAT Margin	(%)	5.04	6.80	3.40
ROCE	(%)	23.95	27.14	22.01
Total Debt/Tangible NetWorth	Times	0.07	0.64	1.00
PBDIT/Interest	Times	6.70	4.71	3.17
Total Debt/PBDIT	Times	0.21	1.38	2.29
Gross Current Assets (Days)	Days	79	122	85

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Mar-2018	Cash Credit	Long Term	INR 7.6	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	INR 11.5	ACUITE A3 (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	5.60	ACUITE BBB- / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A3 (Reaffirmed)

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About Acuite Ratings & Research:

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