

## Press Release

### Jaybee Industries (Nalagarh Unit)

June 29, 2021

#### Rating Upgraded



|                                     |                                 |
|-------------------------------------|---------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 19.10 Cr.                   |
| <b>Long Term Rating</b>             | ACUITE BBB/Stable<br>(Upgraded) |
| <b>Short Term Rating</b>            | ACUITE A3+<br>(Upgraded)        |

\* Refer Annexure for details

#### Rating Rationale

Acuite has Upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 19.10 Crore bank facilities of Jaybee Industries (Nalagarh Unit). The outlook is '**Stable**'.

The upgrade in the rating is on account of substantial improvement in operating incoming and stable profitability, healthy financial risk profile and strong liquidity. In FY2021 (Provisional) the revenue stood at Rs.134.76 Crore as against Rs.95.53 Crore in FY2020. EBITDA Margins stood at 3.86 percent for FY2021 (Provisional) as against 3.89 percent in FY2020. The PAT margin stood at 3.77 percent in FY2021 (Provisional) from 3.99 percent in FY2020. The net worth of the group stood at Rs.23.76 Crore as on 31 March, 2021 (Provisional) as against Rs.20.23 Crore as on 31 March 2020. The gearing level (debt-equity) improved to 0.27 times as on 31 March 2021 (Provisional) as against 0.78 times as on 31 March 2020. The interest coverage ratio (ICR) stood high at 5.12 times in FY2021 (Provisional) as against 5.59 times in FY2020. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.90 times in FY2021 (Provisional) as against 0.28 times in FY2020. The Group has strong liquidity marked by high net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 5.81 Crore in FY2021 (Provisional). As a result, the bank limit utilization stood low at 42% in the last six months ending April, 2021.

#### About the Group

Jaybee Group 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 group 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 – Punjab (Bhatinda unit) with Jaybee Industries (Nalagarh unit) together referred to as Jaybee Group. The consolidation is in view of similar line of business, same management and operational linkages.

#### 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. 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**

Group's financial risk profile remained healthy marked by above average net worth, high gearing and strong debt protection metrics. The net worth of the group stood at Rs.23.76 Crore as on 31 March 2021 (Provisional) as against Rs.20.23 Crore as on 31 March 2020. The gearing level (debt-equity) stood strong at 0.27 times as on 31 March 2021 (Provisional) as against 0.78 times in 31 March 2020. The total debt of Rs.6.43 Crore as on 31 March 2021 (Provisional) consists of secured loan of Rs.3.49 Crore, unsecured loan of Rs.0.52 Crore and working capital borrowings of Rs.2.42 Crore. The interest coverage ratio (ICR) stood at 5.12 times in FY2021 (Provisional) as against 5.59 times in FY2020. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.90 times in FY2021 (Provisional) as against 0.28 times in FY2020. DSCR stood at 5.12 times in FY2021 (Provisional) as against 5.59 times in FY2020. Debt-EBITDA stood strong at 0.89 times in FY2021 (Provisional) as against 2.91 times in FY2020.

#### • **Moderate working capital operation**

The working capital management of the group is moderate in FY2021 (Provisional) marked by Gross Current Assets (GCA) of 100 days in FY2021 (Provisional) as against 110 days in FY2020. The inventory and debtor levels stood at 8 days and 81 days in FY2021 (Provisional) as against 30 days and 53 days in FY2020, respectively. The debtors days are high and this is mainly due to high amount of sales during the last 2 months of FY2021 (Provisional). The bank limits utilization stood low at 42% in the last six months ending April, 2021. Acuite believes that the working capital requirements will continue to remain moderate over the medium term on account of moderate GCA days.

### **Weaknesses**

#### • **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.

### **Rating sensitivity**

- The group have a case against PSPCL against delay in the repayment, the decision is still pending with the court. The final decision will have substantial effect on the group's overall financials.

### **Material Covenant**

None

### **Liquidity position: Strong**

The Group has strong liquidity marked by high net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs5.81 Crore in FY2021 (Provisional). The cash accruals of the group are estimated to remain in the range of around Rs.6.00-7.00 Crore during FY2022-24 against CPLTD of not more than Rs.1.20 Crore each year for the same period. Group's working capital operations are moderate marked by gross current asset (GCA) days of 100 days in FY2021 (Provisional). As a result, the bank limit utilization stood low at 42% in the last six months ending April, 2021. Group maintains unencumbered cash and bank balances of Rs.0.68 Crore as on 31 March 2021 (Provisional). The current ratio stands at 1.50 times as on 31 March 2021 (Provisional).

### **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.

### **About the Rated Entity - Key Financials**

|                  | Unit    | FY21 (Provisional) | FY20 (Actual) |
|------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 134.76             | 95.53         |
| PAT              | Rs. Cr. | 5.08               | 3.81          |

|                               |       |      |      |
|-------------------------------|-------|------|------|
| PAT Margin                    | (%)   | 3.77 | 3.99 |
| Total Debt/Tangible Net Worth | Times | 0.27 | 0.78 |
| PBDIT/Interest                | Times | 5.12 | 5.59 |

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

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Up to last three years)**

| Date          | Name of Instrument / Facilities | Term       | Amount (Rs. Cr) | Ratings/Outlook                 |
|---------------|---------------------------------|------------|-----------------|---------------------------------|
| 27-May-2019   | Cash Credit                     | Long term  | 5.60            | ACUITE BBB-/Stable (Reaffirmed) |
|               | Proposed                        | Long term  | 2.00            | ACUITE BBB-/Stable (Assigned)   |
|               | Bank Guarantee                  | Short Term | 11.50           | ACUITE A3 (Reaffirmed)          |
| 13-March-2018 | Cash Credit                     | Long term  | 7.60            | ACUITE BBB-/Stable (Assigned)   |
|               | Bank Guarantee                  | Short Term | 11.50           | 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 (Upgraded) |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 13.50<br>(Enhanced from Rs.11.50) | ACUITE A3+ (Upgraded)        |

## Contacts

| Analytical                                                                                                                                                                                                                                                                                                              | Rating Desk                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
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### About Acuité Ratings & Research:

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