

Press Release

Jaybee Industries (Nalagarh Unit)

September 27, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.50	-	ACUITE A3+ Reaffirmed
Bank Loan Ratings	5.60	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	19.10	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on Rs.19.60 crore of bank facilities of **Jaybee Industries (Nalagarh Unit)**. The outlook is '**Stable**'.

Rationale for Reaffirmation

The rating takes into account established track record of operations with experienced partners, satisfactory financial performance during FY22 backed by year on year improvement in total operating income, comfortable financial risk profile of the entity led by lower debt levels and efficient working capital management. However, the above strengths are underpinned by small scale of operations, clientele concentration and risk of withdrawal of capital.

About the Company

Mr. Pradeep Agarwal, Proprietor, incorporated Jaybee Industries in November 1981 at Punjab. Jaybee Industries is engaged in manufacturing of distribution of transformer.

Jaybee Industries has its registered office at Bhatinda, Punjab, 1 manufacturing facility at Bhatinda and another manufacturing facility at Nalagarh. Jaybee Industries has its registered office at Bhatinda, Punjab, 1 manufacturing facility at Bhatinda and another manufacturing facility at Nalagarh.

The company was formed in 1981 with a single unit in Bhatinda. In the year 2009 they expand another unit with same line of business in Nalagarh. On 26th April of 2016 the proprietorship of Nalagarh unit has been transferred to Mr. Pankaj Agarwal, son of Mr. Pradeep Agarwal.

Analytical Approach

Acuite has considered consolidated business and financial risk profile of Jaybee Industries and Jaybee Industries (Bhatinda) Jaybee Industries (Nalagarh). The consolidation is on account of similar line of business.

Extent of Consolidation: Full

Key Rating Drivers

Strengths

Improvement in financial performance during FY22

The total operating income of the group improved from Rs.139.10 crores in FY21 to Rs.172.37 crores in FY22, thereby reporting y-o-y growth of ~24%. The increase in total operating income is led by growing demand of electricity. The consumption of electricity is further led by increase in increased electricity usage post unlock. In line with increase in total operating income, the operating profit also increased from Rs.4.34 crore in FY21 to Rs. 7.48 crore in FY22. Further, the net profit also increased led to Rs.6.61 crore in FY22 vis-à-vis Rs.4.30 crores. The PBILDT margin also increased by 122 bps from 3.12% in FY21. The PAT remained at 3-4% in FY21-22.

Comfortable financial risk profile

The capital structure as represented by debt –capital ratio improved to 0.33 times in FY22 vis-à-vis 0.47 times in FY21. The improvement in ratio is led by accretion of profit to reserves. Consequently, the tangible net worth increased from Rs.20.66 crores in FY21 to Rs.26.45 crores in FY22. The debt profile majorly comprises of unsecured loans and working capital borrowings. The group had availed COVID loan in FY21. However as per discussion with management, the same has been repaid as on date. The group does not have any term as on date. Similarly, total outstanding liability to tangible net worth also improved to 1.28 times in FY22 as against 2.39 times in FY21. Further, increase in operating profit also resulted in improved interest coverage ratio to 6.95 times in FY22 vis-à-vis 4.57 times in FY21. The net cash accruals to total debt improved to 0.83 times over 0.52 times in FY21.

The group is not planning to avail any additional term loan. Hence, ACUITE believes that financial risk profile of the group is expected to improve going ahead.

Improved working capital management

The Gross Current Asset days of the group improved to 118 days in FY22 vis-à-vis 171 days in FY21, led by decrease in debtors outstanding as on March 31, 2022 coupled with increase in total operating income. The debtors' days improved to 13 days in FY22 as against 63 days in FY21. The billing cycle is 45 days on an average and bills are realised within 15 days of raising it. The raw materials are procured from Hoidalco Limited, Apar Industries, Jai Bhawani Industries Limited. The group receives credit period of 65-90 days from suppliers. The inventory cycle remained at 18 days in FY22 vis-à-vis 6 days in FY21. The average working capital utilisation for the past 6 months ending August 2022 remained at moderate level of 63.19%.

Weaknesses

Clientele concentration

The group majorly caters to Punjab State Power Corporation Limited, thereby deriving around 90% of revenue. Hence, any delayed realization of receivables can impact the liquidity of the firm.

Small scale of operations

The scale of operations as represented by tangible net-worth remained at Rs.26.45 crore as on March 31, 2022 (Prov.), despite established track record of operations.

Withdrawal of capital

As Jaybee Group is a partnership firm, there is also a risk of capital withdrawal which can impact financial risk profile of the firm. However, there has not been any major withdrawal in last three years.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

>Improvement in revenue and profitability margins with successful execution of high value orders and significant increase in scale of operations.

>Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.

Material covenants

None

Liquidity Position: Adequate

The liquidity profile of the group continues to remain at adequate level with net cash accruals of Rs.7.25 crores. The group does not have any outstanding term loan and hence, does not have major debt obligations. The current ratio of the group improved to 2.23 times in FY22 vis-à-vis 1.64 times in FY21. Further, the group also maintains sufficient cash and bank balance of Rs.34.53 crores as on March 31, 2022 (Prov.). The net cash accruals of the group is expected to remain at adequate level at Rs.10-12 crores in FY23-24.

Outlook: Stable

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	172.37	139.10
PAT	Rs. Cr.	6.61	4.30
PAT Margin	(%)	3.84	3.09
Total Debt/Tangible Net Worth	Times	0.33	0.47
PBDIT/Interest	Times	6.95	4.57

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2021	Bank Guarantee	Short Term	13.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	5.60	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
27 May 2019	Bank Guarantee	Short Term	11.50	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.60	ACUITE BBB- Stable (Reaffirmed)
13 Mar 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A3+ Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.60	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuите.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuите.in
J. Subhadra Senior Analyst-Rating Operations Tel: 022-49294065 j.subhadra@acuите.in	

About Acuité Ratings & Research

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