



Press Release
JAYBEE INDUSTRIES (NALAGARH UNIT)
December 26, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	8.10	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	19.10	-	-

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on Rs.19.10 crore of bank facilities of **Jaybee Industries (Nalagarh Unit)**. The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into consideration the improved operating and stable financial performance. The operating income grew by 44% in FY2023 to Rs.252.16 Cr from Rs.174.71 Cr in FY2022. The operating profitability increased to 5.55% in FY2023 from 4.18% in FY2022. The increase in profitability is due to better cost efficiency achieved on account of the increased scale of operations. The gearing levels, though moderated, stood healthy at 0.57 times as of 31st March 2023 against 0.36 times as of 31st March 2022. The debt protection metrics improved on account of improved profitability. The ICR stood at 19.14 times in FY2023 against 7.27 times in the previous fiscal. The working capital operations are efficient in nature; however, the fund-based bank limit utilisation is on the higher side at ~90% for the past eight months ending August 2023. The above-mentioned strengths are however underpinned by client concentration risk, as more than ~80% of revenue is derived from one customer (PSPCL), and risk associated with the withdrawal of capital.

Going ahead, the group's ability to sustain growth in revenues while maintaining healthy profitability and conserving the capital structure would remain a key rating monitorable.

About Company

Mr. Pradeep Agarwal, 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.

The company was formed in 1981 with a single unit in Bhatinda. In the year 2009 they expanded with another unit with same line of business in Nalagarh. On 26th April of 2016 the proprietorship firm split into two, forming Jaybee Industries (Bathinda Unit) and Jaybee Industries (Nalagarh Unit) with Mr. Pradeep Agarwal becoming proprietor of (Nalagarh Unit) and Mr.Pankaj Agarwal (son of Mr.Pradeep Agarwal) assuming proprietorship of Jaybee Industries (Bathinda Unit).

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered consolidated business and financial risk profile of Jaybee Industries (Bhatinda Unit), Jaybee Industries (Nalagarh Unit). The consolidation is on account of same line of business, presence of cross personal guarantees for bank limits, need based financial support from one firm to another, shared common names as per Acuite's policy of consolidation.

Key Rating Drivers

Strengths

Improved operating performance.

The total operating income of the group grew from Rs.174.71 crores in FY2022 to Rs.252.16 crores in FY2023, thereby reporting y-o-y growth of ~44 percent. The increase in total operating income is led by increased tendering by the group. The company majorly caters to Punjab State Power Corporation Limited. In 6MFY2024, the group has recorded a revenue of ~Rs.200 Cr. The operating profit margin increased to 5.55% in FY2023 from 4.18% in FY2022. The improvement is led by better cost efficiency achieved by the group in commensurate to the growth in revenue. Also, group has inbuilt clause to pass on the increased price burden of input materials on to its customers. The PAT margin stood at 6.04% in FY2023 against 4.13% in FY2022. Order book position as of September 2023 is of ~ Rs.197.90 Cr executable in next one year.

Healthy financial risk profile

The financial risk profile of the company stood healthy marked by low gearing, moderate net-worth and comfortable debt protection metrics. The net worth of the group stood at Rs.37.45 Cr in FY2023 against Rs.24.05 Cr in FY2022. The increase in net worth is on account of accretion of profits to proprietor's capital account and net withdrawal of Rs.1.83 Cr. The gearing stood at 0.57 times in FY2023 against 0.36 times in FY2022. The total debt of the group stood at Rs.21.50 Cr as of 31st March 2023 against Rs.8.70 Cr in the previous fiscal. It comprises of Rs.6.67 Cr of Working capital demand loans, Rs.14.70 Cr of short-term borrowings and Rs.0.13 Cr of unsecured loans. Total outstanding liability to tangible net worth moderated to 1.72 times in FY2023 from 1.46 times in FY2022. Further, increase in operating profit also resulted in improved interest coverage ratio to 19.14 times in FY2023 vis-à-vis 7.27 times in FY2022. The net cash accruals to total debt stood at 0.75 times in FY2023 against 0.90 times in FY2022. Financial risk profile is expected to remain healthy in absence of no major debt-funded capital expenditure.

Efficient Working Capital Management

The Gross Current Asset days of the group stood at 59 days in FY23 vis-à-vis 42 days in FY22. The inventory holding period stood at 17 days for both FY2023 as well as FY2022. The group procures major raw materials such as Aluminium rod, steel sheet, transformer oil etc from Hidasco Limited, Apar Industries, Jai Bhawani Industries Limited and others. The debtor days stood at 31 days in FY2023 against 13 days in FY2022. The billing cycle is 45 days on an average and bills are realised within 15 days of raising it. The group receives credit period of 65-90 days from suppliers. The creditor days stood at 36 days in FY2023 against 14 days in FY2022. The average fund-based bank limit utilisation for the last months ending 8 months ending August 2023 stood high at ~90%.

Weaknesses

Withdrawal of capital

As the group is a proprietorship firm, there is also a risk of capital withdrawal which can impact financial risk profile of the firm.

Clientele concentration

The group majorly caters to Punjab State Power Corporation Limited, thereby deriving more than ~80% of revenue from a single customer increasing the risk associated with customer concentration.

Rating Sensitivities

- Growth in operating revenues and profitability while maintaining healthy financial risk profile and liquidity position.
- Any significant elongation in working capital cycle leading to deterioration in liquidity and financial risk profile.

All Covenants

Not Applicable

Liquidity Position Adequate

The liquidity profile of the group continues to remain at adequate level with net cash accruals of Rs.16.03 crores. The group does not have any outstanding term loan and hence, does not have major debt repayment obligations. The current ratio of the group stood at 1.68 times in FY2023 against 1.81 times in FY2022. Further, the group also maintains cash and bank balance of Rs. 3.11 crores as on March 31, 2023. The net cash accruals of the group are expected to remain at adequate levels in the range of Rs.15.72 -17.16 crores through FY2023-25.

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 along with a healthy order book position. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and conserving the capital structure. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management or significant reduction in operating income and profitability of the group.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	252.16	174.71
PAT	Rs. Cr.	15.23	7.22
PAT Margin	(%)	6.04	4.13
Total Debt/Tangible Net Worth	Times	0.57	0.36
PBDIT/Interest	Times	19.14	7.27

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

Not Applicable

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Sep 2022	Cash Credit	Long Term	5.60	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.50	ACUITE A3+ (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	8.10	ACUITE A3+ Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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