

## Press Release

### JPB CHEMICAL INDUSTRIES PRIVATE LIMITED

28 March, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.19.00 Cr.
<b>Long Term Rating</b>	SMERA BB/ Outlook: Stable

*\* Refer Annexure for details*

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 19.00 crore bank facility of JPB CHEMICAL INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

JPB Chemical Industries Private Limited (JCIPL) is a Mumbai-based company promoted by Mr. Jitendra Gandhi, Mr. Hiten Gandhi and Mr. Parag Gandhi. The company is engaged in the import and distribution of chemicals including Ethyl Acetate, Acetic Acid Glacial Sodium, Nitrite among others for pharmaceutical, chemical, and other industries.

### Key rating drivers

#### Strengths

#### Long track record of operations and experienced promoters

JCIPL was established in 1996 by the Directors, Mr. Jitendra Gandhi, Mr. Hiten Gandhi, and Mr. Parag Gandhi with around two decades of experience in the chemical industry.

The company caters to a reputed client base including Glenmark Generics Limited, Pidilite Industries Ltd, Cipla Limited among others.

#### Moderate financial risk profile

JCIPL has moderate financial risk profile marked by net worth of Rs. 9.14 crore as on 31 March, 2017 compared to Rs. 7.43 crore as on 31 March, 2016. The gearing stood high at 2.10 times as on 31 March, 2017 as against 2.34 times as on 31 March, 2016. The total debt of Rs. 19.21 crore comprises working capital borrowings of Rs. 17.73 crore from banks and unsecured loans of Rs. 1.47 as on 31 March, 2017. The Interest Coverage Ratio stood at 1.98 times in FY2017 as against 1.43 times in FY2016 mainly due to improvement in profitability in FY2017. Going forward, SMERA expects the company to maintain its financial risk profile and improve its net worth in the absence of major debt funded capex plan.

## Weaknesses

### Low profitability, susceptibility to volatility in raw material prices

JCIPL reported uneven operating margin of 3.13 percent for FY2017 compared to 3.87 percent in FY2016 and 3.34 percent in FY2015. While, the company reported increase in Profit after tax (PAT) margin to 1.46 percent for FY2017 from 0.75 percent in the previous year, the same was mainly on account of increase in non-operating income.

### Working capital intensive operations

The operations of the company are working capital intensive evident from the high Gross Current Asset days (GCA) of 177 for FY2017 as against 138 for FY2016. This is on account of stretched debtors of 146 days in FY2017 and 110 in FY2016. Moreover, the Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.92 times as on 31 March, 2017 as compared to 4.91 times in the previous year on account of increase in trade payables. The average cash credit utilisation for the past six months stood at ~90 percent. SMERA believes that efficient working capital management will be crucial for the company in order to maintain a stable credit profile.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of JCIPL to arrive at the rating.

### Outlook – Stable

SMERA believes that JCIPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins, or deterioration in the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	117.06	92.32	108.56
EBITDA	Rs. Cr.	3.66	3.57	3.62
PAT	Rs. Cr.	1.71	0.70	1.04
EBITDA Margin	(%)	3.13	3.87	3.34
PAT Margin	(%)	1.46	0.75	0.96
ROCE	(%)	17.47	15.73	37.21
Total Debt/Tangible Net Worth	Times	2.10	2.34	2.59
PBDIT/Interest	Times	1.98	1.43	1.53
Total Debt/PBDIT	Times	4.04	4.40	3.75
Gross Current Assets (Days)	Days	177	138	117

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

India Ratings, vide release dated August 24, 2016 has suspended the ratings of JCIPL on account of lack of adequate information required for monitoring of ratings.

### Any other information:

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	SMERA BB/Stable

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## ABOUT SMERA

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