# Press Release

**JPB Chemical Industries Private Limited**

February 21, 2019

**Rating Upgraded**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 19.00 Cr. |
| **Long Term Rating** | ACUITE BB+ / Outlook: Stable<br>(Upgraded from ACUITE BB /Stable) |

** Refer Annexure for details*

**Rating Rationale**

Acuité has upgraded long-term rating of '**ACUITE BB+**' **(read as ACUITE BB plus ) from ACUITE BB /Stable** to the Rs. 19.00 crore bank facilities of JPB Chemical Industries Private Limited. The outlook is **'Stable'**.

The rating upgrade takes into account the growth in the revenues for the last three years through FY2018 and stable operating margins and moderate financial risk profile. However, rating is constrained by working capital intensive operations and intense competition in the industry.

JPB Chemical Industries Private Limited (JCIPL), incorporated in 1996 is a Mumbai-based company promoted by Mr. Jitendra Dayalji Gandhi and family. The company is engaged in repacking and trading/distribution of basic chemicals, Pharmaceuticals, Solvents, Chemicals, Intermediate, Bulk Drugs, Food Products, Aeromatics & Agro Catering. JCIPL is an authorised distributor for Sree Rayalaseema Petrochemicals Limited and Rashtriya Chemicals and Fertilizers Ltd which are the leading chemical and fertiliser producing companies.

**Analytical Approach**

Acuité has considered the standalone business and financial risk profile of JPB Chemical Industries Private Limited to arrive at this rating.

## Key Rating Drivers

**Strengths**

- **Long track record of operations and experienced promoter**

  JCIPL is in the said line of business since 1996. The directors viz Mr. Jitendra Gandhi, Mr. Hiten Gandhi, and Mr. Parag Gandhi have more than two decades of experience in the chemical Industry. Experience of the promoters helped the company in adding new clientele every year and maintaining healthy relationship with the existing customers. The same has helped in revenue growth, which improved from Rs.92.32 crore in FY2016 to Rs.122.19 crore in FY2018 at a compound annual growth rate of about 15 per cent. The company supplies its products to more than 150 customers across India catering to the industries such as Pharma, Paints, Agro industry among others. For 11MFY2019, JCIPL has reported revenues of about Rs.123.00 crores. Acuité believes that moderate demand, and experienced management team is expected to support in improving its business risk profile over the medium term.

- **Moderate Financial risk profile**

  Financial risk profile of the company is moderate marked by moderate gearing (debt to equity ratio), total outside liabilities to total net worth (TOL/TNW), and debt protections metrics though the net worth is modest. Gearing is moderate at 1.89 times as on 31 March, 2018 as against 2.10 times as on 31 March, 2017. TOL/TNW is high at 4.50 times as on 31 March, 2018, though an improvement from 5.92 times as on 31 March, 2017. Net worth is modest at Rs.10.93 crore as on 31 March, 2018 as against Rs.9.14 crore as on 31 March, 2017. Of the total debt of 20.67 as on 31 March, 2018, unsecured loans stood at Rs.0.05 crore and short term debt of Rs.20.63 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 1.79 times and 0.10 times respectively in FY2018. Acuité believes that, with comfortable accruals of about Rs.1.90-2.50 crores vis- à-vis no debt repayment obligations, the financial risk profile is expected to improve marginally over the medium term.

- **Diversified customer profile and Strong sourcing capabilities with long associated suppliers**
  JCIPL's vast customer base with diversified application of the product will act as partial offset of demand risk. With more than two decades of operations, JCIPL has strong association with many manufacturers across the products they trade.

## Weaknesses

- **Working Capital Intensive operations**
  Operations of the company are moderately working capital intensive marked by high gross current asset days (GCA) at 154 days for FY 2018 as compared 178 days for FY 2017. This is mainly on account of high debtor realization. Debtors stood at 134 days in FY2018 as against 146 days in FY2017. This led to full utilization of its working capital limits for the last six months through December 2018. Acuité believes that with comfortable accruals, and moderate GCA, operations continue to be working capital intensive over the medium term.

- **Low Profitability and its Susceptibility to volatility in raw material prices**
  The company reported an operating margin of 3.36% in FY 2018 as against 3.13% in FY 2017. The company faces the price fluctuation risk as it imports its raw materials. Ability of the company to pass on the increase in the price of raw materials to customers would be the key rating sensitivity factor over the medium term.

## Liquidity position

Liquidity of JCIPL is moderate marked by comfortable cash accruals against no repayment obligations. It has reported cash accruals of Rs.1.97 crore in FY2018. Its expected cash accruals are in the range of Rs.1.9 - 2.5 crore over the medium term. It has fixed deposits of about Rs.3.36 crore and investment in shares Rs.3.74 crore as on March 31, 2018. Working c apital intensive operations lead to full utilization of its bank lines. Acuité believes that the liquidity profile continues to be moderate marked by moderate accruals with no repayment obligations, no capex plans though partly constrained to support the incremental working capital requirements.

## Outlook: Stable

Acuité believes that JPB Chemical Industries Private Limited will maintain 'Stable' outlook in the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'positive' if the company registers higher than expected growth in revenues while maintaining stable profitability and improving its capital structure. Conversely, the outlook may be revised to negative in case of any further stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

## About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 122.19 | 117.06 | 92.32 |
| EBITDA | Rs. Cr. | 4.10 | 3.66 | 3.66 |
| PAT | Rs. Cr. | 1.82 | 1.71 | 0.79 |
| EBITDA Margin | (%) | 3.36 | 3.13 | 3.96 |
| PAT Margin | (%) | 1.49 | 1.46 | 0.85 |
| ROCE | (%) | 15.08 | 17.47 | 31.76 |
| Total Debt/Tangible Net Worth | Times | 1.89 | 2.10 | 2.34 |
| PBDIT/Interest | Times | 1.79 | 1.98 | 1.46 |
| Total Debt/PBDIT | Times | 4.43 | 4.04 | 4.30 |
| Gross Current Assets (Days) | Days | 154 | 178 | 138 |

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

None

## Any other information

None

**Applicable Criteria**

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

**Note on complexity levels of the rated instrument**
https://www.acuite.in/criteria-complexity-levels.htm

**Rating History (Upto last three years)**

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|
| 28-Mar-2018 | Cash Credit | Long Term | 19.00 | ACUITE BB / Stable (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 | 19.00 | ACUITE BB+ / Stable (Upgraded) |

**Contacts**

| Analytical | Rating Desk |
|---|---|
| Srihari Adari<br>Head - Corporate and Infrastructure Sector Ratings<br>Tel: 040-40042327<br>srihari.adari@acuite.in<br><br>Naveen Papisetty<br>Analyst - Rating Operations<br>Tel: 040-40055480<br>naveen.papisetty@acuiteratings.in | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br>rating.desk@acuite.in |