

## Press Release

### JPB Chemical Industries Private Limited

February 20, 2020

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.19.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+/Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed a long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** to the above-mentioned bank facilities of JPB CHEMICAL INDUSTRIES PRIVATE LIMITED. The outlook is **'Stable'**.

The rating reaffirmation considers the growth in the margins and revenues for FY2019 with respect to the estimates accounted. However, the current 9MFY2020 revenue have remained stagnant at Rs.99.38 crore due to operational hinderances faced by its customers. Nonetheless, the company has been able to maintain its margins at 3.39 percent. The Company also has adequate net cash accruals of Rs.2.10 crore as on FY2019 with no repayment obligations. However, rating is constrained by working capital intensive operations and intense competition in the industry.

JPB Chemical Industries Private Limited (JCPL) is a Mumbai based company incorporated in the year 1996. It is promoted by Mr. Jitendra Dayalji Gandhi, Hiten Jitendra Gandhi and Parag Jitendra Gandhi. The company is engaged in repacking and trading/distribution of basic chemicals, pharmaceuticals, solvents, chemicals, intermediate, bulk drugs, food products, aromatics & agro catering.

### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of JCPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Long track record of operations and experienced promoters**

JCPL 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. The company supplies its products to more than 150 customers across India catering to the industries such as pharmaceuticals, paints, agro industry among others. The experience and long-standing presence of the promoter's in the business have helped them maintain liaisons with affluent companies such as Cipla Limited, Unichem Laboratories Limited, among others. The Company has shown growth in revenues, which can be drawn from its improvement from Rs.117.06 crore in FY2017 to Rs.153.43 crore in FY2019 at a compounded annual growth rate of about 14.49 per cent. 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. Gearing is moderate at 1.54 times as on 31 March, 2019 as against 1.89 times as on 31 March, 2018. TOL/TNW is moderate at 4.16 times as on 31 March, 2019 as against 4.50 times as on 31 March, 2018. Net worth of the company is moderate at Rs.12.98 crore as on 31 March, 2019 as against Rs.10.93 crore as on 31 March, 2018. Of the total debt of 19.97 crore as on 31 March, 2019, unsecured loans stood at Rs.2.87 crore and short-term debt of Rs.17.10 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 2.01 times and 0.11 times respectively in FY2019. Acuité believes that, with modest accruals of about Rs.2.10 crores vis- à-vis no debt repayment obligations, the financial risk profile is expected to improve marginally over the medium term. Acuité believes that the financial risk profile is expected to remain moderate on account of modest networth and modest cash accruals against no repayment obligations for the medium term.

## Weaknesses

### Working capital intensive operations

JCPL's operations are moderately working capital intensive as evident from gross current assets (GCA) of 133 days as on March 31, 2019 as against 154 days as on March 31, 2018. The Company has an inventory policy of 15 days and allows credit period to customers for about 90 to 150 days. The debtor's days were recorded at 120 days for FY2019 as against 134 days in FY2018. The inventory days were recorded at 8 days in FY2019 against 11 days in FY2018. Due to high customer realization cycle the working capital limits are utilized fully through nine months FY2020. Acuite believes that with high customer realization cycle and fully utilized bank lines, the operations are expected to remain working capital cycle intensive for the medium term.

## Rating Sensitivities

- Growth in revenue while maintaining its profitability and improving its capital structure
- Stretch in its working capital management leading to deterioration of its financial risk profile

## Material Covenants

None

## Liquidity: Adequate

Liquidity of JCPL is adequate marked by comfortable cash accruals of Rs.2.10 crore against no repayment obligations. Its expected cash accruals are in the range of Rs.2.16 crore to Rs.2.80 crore over the medium term. The current ratio of the company stood at 1.19 times as on 31st March, 2019. It has unencumbered cash balances of Rs.0.21 crore. Working capital intensive operations led to full utilization of its bank lines through nine months of FY2020. Acuite believes that the liquidity profile continues to be adequate marked by adequate accruals with no repayment obligations, no capex plans though partly constrained to high reliance on working capital requirements.

## Outlook: Stable

Acuite believes that JCPL 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	153.43	122.19
PAT	Rs. Cr.	2.03	1.82
PAT Margin	(%)	1.33	1.49
Total Debt/Tangible Net Worth	Times	4.16	4.50
PBDIT/Interest	Times	2.01	1.79

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

None

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto three years)

Date	Name of Instrument/ Facility	Term	Amount (Rs. Cr)	Ratings/Outlook
21-Feb-2019	Cash Credit	Long Term	19.00	ACUITE BB+ /Stable (Upgraded)
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 (Reaffirmed)

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### About Acuité Ratings & Research:

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