

Press Release

Jaybee Laminations Private Limited (JBLPL)

May 20, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 57.11 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité 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**) to the Rs. 57.11 crore bank facilities of JAYBEE LAMINATIONS PRIVATE LIMITED (JBLPL). The outlook is '**Stable**'.

Based in Noida, Uttar Pradesh, JBLPL was incorporated in 1988 by Mr. Munish Aggarwal. The company is engaged in manufacturing of CRGO (cold-rolled grain-oriented) steel laminations and transformer cores used in distribution and power transformers. The company has two manufacturing units located in Noida and Greater Noida. JBLPL has geographically diversified customer base including Crompton Greaves, BHEL Limited and Voltech Manufacturing Company Limited among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the JBLPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced track record of operations and experienced management**

JBLPL was incorporated in 1988 has a long track record of operations. Mr. Munish Agrawal (Promoter & Director), Mrs. Sunita Agrawal (Director) and Mr. Mudit (Director) possess an experience of around three decades in the aforementioned industry. Backed by their experience they have been able to maintain long term relations with their customers.

- **Healthy customer relations**

JBLPL has a reputed client base and caters to Crompton Greaves, BHEL Limited, Toshiba Transmission & Distribution Systems and Tesla Transformers to name a few.

- **Moderate financial risk profile**

JBLPL has moderate financial risk profile marked by comfortable net worth, gearing (debt-to-equity), and healthy debt protection metrics. Company's net worth stood at Rs. 28.27 crore as on March 31, 2018 as against Rs. 21.35 crore as on March 31, 2017, owing to comfortable accretion to reserves due to moderate profitability. Gearing levels (debt-to-equity) stood at 0.30 times in FY2018 as against 0.70 times in FY2017. Further, the interest coverage ratio stood at 3.04 times for FY2018 as compared to 2.52 times for FY2017. Total outside liabilities to total net worth (TOL/TNW) stood at 1.78 times in FY2018 vis-à-vis 2.18 times in FY2017.

Weaknesses

- **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 141 days in FY2018 as against 160 days in FY2017. GCA days remained high

mainly on account of high debtor collection period, which is 80 days in FY2018. Further, Inventory holding period stood at 37 days in the FY2018. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the level of inventory to be maintained and the credit given to its customers. Further, fresh working capital requirements will have a likely impact on the future profitability of the company.

• Susceptible to raw material prices & Foreign exchange fluctuation risk

JBLPL's margins are susceptible to volatility in raw material prices. The firm imports 100% of its raw material (CRGO Coils) and is exposed to foreign exchange fluctuation risk.

• Highly competitive and fragmented nature of industry

The company is operating in a highly competitive and fragmented industry with large number of organized and unorganized players present in the market which limits the bargaining power of the company. However the risk is mitigated to an extent on account of established track record of operations.

Liquidity position

The company has comfortable liquidity marked by comfortable net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 4.48 crore for FY2018 while its maturing debt obligations were Rs. 0.78 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 4.00 crore to Rs. 9.00 crore during 2019-21 against no major repayment obligation. The company's working capital operations are moderate marked by gross current asset (GCA) days of 141 days for FY2018. The company maintains unencumbered cash and bank balances of Rs. 3.27 crore as on 31 March 2018. The current ratio stands at 1.29 times as on 31 March 2018. Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that JBLPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	159.13	131.23	154.57
EBITDA	Rs. Cr.	9.62	6.27	7.61
PAT	Rs. Cr.	3.41	2.04	2.10
EBITDA Margin	(%)	6.05	4.78	4.92
PAT Margin	(%)	2.14	1.55	1.36
ROCE	(%)	25.55	17.24	19.89
Total Debt/Tangible Net Worth	Times	0.30	0.70	0.52
PBDIT/Interest	Times	3.04	2.52	2.53
Total Debt/PBDIT	Times	0.82	2.17	1.23
Gross Current Assets (Days)	Days	141	160	119

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
19- Apr-2018	Cash Credit	Long Term	INR 12.00	ACUITE BBB / Stable
	Term Loan	Long Term	INR 3.11	ACUITE BBB / Stable
	Letter of Credit	Short Term	INR 42.00	ACUITE A3+
29-Mar-2018	Cash Credit	Long Term	INR 12.00	ACUITE BBB / Stable
	Letter of Credit	Short Term	INR 18.00	ACUITE A3+

*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	12.00*	ACUITE BBB / Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	3.11	ACUITE BBB / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	42.00	ACUITE A3+ (Reaffirmed)

*Includes a sub-limit of Packing Credit of Rs. 5.00 crore.

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Charu Mahajan Ratings Analyst - Rating Operations Tel: 011-49731313 charu.mahajan@acuiteratings.in	

About Acuité Ratings & Research:

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instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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