

## Press Release

**J B Ecotex LLP**

May 08, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 136.50 Cr.
<b>Long Term Rating</b>	SMERA BBB-/ Outlook: Stable
<b>Short Term Rating</b>	SMERA A3

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs.136.50 crore bank facilities of J B Ecotex LLP. The outlook is '**Stable**'.

The Gujrat-based J B Ecotex LLP (JBEL) was established in 2012 as a Limited Liability Partnership (LLP) firm by Mr. Ayodhyaprasad Singhal, Mr. Hemantkumar Dhandaria, Mr. Himansu Jariwala and Mr. Jitendra Arya. The firm is engaged in manufacturing of polyester fibres from pet bottles. JBEL has a manufacturing capacity in Surat with an installed capacity 5000 tonnes per month.

### Key rating drivers

#### **Strengths:**

##### **Experienced promoters**

The partners have an experience of over two decades in the textile industry. The promoters backed by their experience have been able to generate healthy relationship with various customers as well as suppliers.

#### **Above average financial risk profile**

JBEL has above average financial risk profile marked by tangible net worth of Rs.37.78 crore as on 31 March, 2017 as against Rs.18.26 crore as on 31 March, 2016. The gearing stood relatively high at 2.24 times as on 31 March, 2017 which improved from 4.41 times as on 31 March, 2016. The debt of Rs.84.73 crore mainly consists of term loan of Rs.48.41 crore, unsecured loan of Rs.18.18 crore and working capital borrowing of Rs.18.14 crore as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 3.23 times for FY2017 as against 2.99 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.53 times as on 31 March, 2017 as against 4.88 times as on 31 March, 2016. Going forward, SMERA expects the gearing to improve marginally in near to medium term in absence of major debt funded capex plan and capital addition by promoters.

## Moderate working capital cycle

JBEL has moderate working capital operations marked by Gross Current Asset (GCA) of 96 days in FY2017 compared to 173 days in FY2016. The GCA days have improved mainly because of early realisation from debtors of 27 days in FY2017 compared to 69 days in FY016 and lowering of inventory days of 31 days in FY2017 compared to 93 days in FY2016. The average cash credit utilisation for the past six months stood at ~90 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

## Weaknesses:

### Limited operational track record

JBEL was incorporated in 2012 and commenced operations from 2015. Hence, the firm has limited track record of operations.

### Competitive and fragmented industry

JBEL operates in a highly competitive and fragmented industry having characterised by large number of unorganised players mainly on account of low entry barriers. This can have an impact on the profitability margins of the firm.

### Risk of capital withdrawal

JBEL is exposed to risk of capital withdrawal considering its partnership constitution. However, there were no significant withdrawals observed during the period under study.

## Analytical approach:

SMERA has considered the standalone business and financial risk profiles of JBEL.

## Outlook - Stable

SMERA believes JBEL will maintain a 'Stable' business risk profile over the medium term benefiting from its experienced management. The outlook may be revised to 'Positive' in case of 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 revenues or profit margins, or in case of deterioration in financial risk profile and liquidity position.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	194.90	62.93	-
EBITDA	Rs. Cr.	22.51	9.40	-
PAT	Rs. Cr.	11.25	4.30	-
EBITDA Margin	(%)	11.55	14.94	-
PAT Margin	(%)	5.77	6.83	-
ROCE	(%)	16.59	12.34	-
Total Debt/Tangible Net Worth	Times	2.24	4.41	-
PBDIT/Interest	Times	3.23	2.99	-
Total Debt/PBDIT	Times	3.69	8.43	-
Gross Current Assets (Days)	Days	96	173	-

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

None

**Any other information:**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	10.00	SMERA BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	41.52	SMERA BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	11.75	SMERA BBB-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	36.14	SMERA BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB-/Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.20	SMERA A3
Proposed Bank facility	Not Applicable	Not Applicable	Not Applicable	1.89	SMERA BBB-/Stable

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## ABOUT SMERA

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