



**Press Release**  
**J B ECOTEX LIMITED (ERSTWHILE J B ECOTEX LLP)**  
**June 12, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	132.75	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	3.75	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	136.50	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**Acuite BBB**' (read as **Acuite triple B**) and its short-term rating of '**Acuite A3+**' (read as **Acuite A three plus**) on the Rs. 136.50 crore bank facilities of J B Ecotex Limited (JBEL). The outlook is '**Stable**'.

**Reason for rating reaffirmation**

The rating reaffirmation factors in the improvement in operating income, efficient working capital operations, and adequate liquidity position of the company. The company's revenue stood at Rs. 602.36 crore in FY2023 (Prov) as against Rs. 501.74 crore in FY2022. The growth in operating income is driven by the increase in demand for the products as well as their price realisation. However, due to the almost full utilisation of the production capacity of its existing products, the scope of volume growth in this product is limited. The capacity utilisation ranged between 90–98% during the last three years ended FY2023 of its major revenue-contributing product, i.e., recycled polyester staple fibre (RPSF). Revenue from RPSF ranged between 90 and 92% of the total operating income during the quoted period.

The company is planning to start a new product, i.e., bottle-to-bottle food-grade granules, with a capacity of 21600 MT/annum, in March 2024. The total project is estimated to cost Rs. 97 crore, which is to be funded partly by debt and partly by internal accruals. The debt tie-up on the project is pending as of this date.

The ability of the company to successfully implement the new product line, leading to an improvement in revenues, will be a key rating sensitivity in the medium term. Further, the ratings are also constrained by the moderate financial risk profile and the foreign currency fluctuation risk.

**About the Company**

Gujarat-based J B Ecotex Limited was established in 2012 by Mr. Ayodhya Prasad Singhal, Mr. Hemant Kumar Dhandaria, Mr. Himanshu Jariwala, Mr. Jitendra Arya, Mrs. Monika Gupta, Mr. Ramdas Jindal, and Mr. Sajjankumar Kejriwala. JB Ecotex was incorporated in 2012 as an LLP and was later converted into a public limited company on September 21, 2021. The company, which is a part of Jay Bharat Group, started its production activity in October 2015 and proceeded with expansion in FY2017. The company is engaged in the manufacturing and export of Recycled Polyester Staple Fibre (RPSF) and PET Flakes from PET bottles and is planning to start a new product, i.e., Bottle to Bottle Food Grade Granules, from March 2024

onwards.

## Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of JBEL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### **Established operations supported by experienced management**

JBEL, which is a part of Jay Bharat Group and has been chaired by Mr. Jitendra Arya since 1985, started its business with the flagship firm Jay Bharat Dyeing and Printing Private Limited in the field of polyester textile dyeing and printing. The quality of the fabrics processed at Jay Bharat Dyeing & Printing, using the latest technology from India and abroad, brought immediate success to the group. The group has focused on penetrating deep into the core segments where it has operated. The group has expanded to cater to the requirements for other fabrics like cotton, viscose, PV, etc., and recently it has expanded the portfolio by entering into the manufacturing of yarns and yarn dyeing as well. The partners, Mr. Ramdas Jindal, Mr. Ayodhyaprasad J. Singhal, Mr. Himanshu S. Jariwala, and Mr. Jitendra Arya, have more than two decades of experience in the textile industry. The extensive experience of the partners has helped the company generate healthy relationships with its customers and suppliers in both domestic and global markets. Acuité believes that JBEL will continue to benefit from the partner's established presence in the textile industry.

#### **Working capital and efficient operations**

The company's operations are working capital efficient, as evident from the gross current asset (GCA) of 63 days as of March 31, 2023 (prov), as against 70 days as of March 31, 2022. The inventory levels stood at 26 days for FY23 (prov), compared against 23 days for FY22. The company maintains an average inventory holding period of around 40 days. The company plans its inventory procurement taking into consideration the raw material prices. The debtor days stood at 30 days for FY23 (Prov) against 44 days for FY22. The average credit period allowed for customers is around 30 days. The creditor days of the company stood at 22 days for FY23 (Prov) as against 21 days for FY22. The average credit period received from its suppliers is around 15 days. The average utilisation of the CC limits of the company remains high, at 81 percent in the last six months ended March' 23. Acuité believes that the ability of the company to maintain the efficiency of working capital will remain a key sensitivity in the medium term.

### Weaknesses

#### **moderate financial risk profile**

The company has a moderate financial risk profile, marked by a tangible net worth of Rs. 78.36 crore as of March 31, 2023 (prov) as against Rs. 44.47 crore as of March 31, 2022. The company is currently undertaking a capex of Rs. 97 crore to install machinery for manufacturing the new product. The capex will lead to additional manufacturing capacity of 21600 MT/annum. The capex will be funded by a term loan of Rs. 65 crore and a Rs. 32 crore equity infusion. The company has followed an aggressive financial policy in the past, as reflected by its peak gearing of 3.23 times as of March 31, 2022. The current gearing, however, has moderated to 1.29 times as of March 31, 2023 (Prov.). The total debt of the company stood at Rs. 101.20 crore as of March 31, 2023 (prov.). It comprised long-term debt of Rs. 33.13 crore, unsecured loans of Rs. 12.16 crore, and short-term debt of Rs. 41.05 crore as of March 31, 2023 (Prov.). The company had availed a term loan of Rs. 13.75 crore in FY23 for the installation of windmills for captive consumption. The coverage ratios of the company stood at moderate levels, with an interest coverage ratio (ICR) of 7.20 times for FY23 (prov) against 3.38 times for FY22. The Debt Service Coverage Ratio (DSCR) stood at 1.77 times for FY23 (Prov). The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 2.08 times for FY23 (Prov) as against 4.21 times in FY22. Acuité believes that while the capex is

critical for the company to improve its business risk profiles, any unexpected increase in leverage levels or delay in the commencement of a new unit is likely to impart a negative bias to the rating.

### **Competitive and fragmented industry**

JBEL operates in a highly fragmented and competitive industry marked by the presence of a large number of organised and unorganised players, mainly on account of low entry barriers. The firm is exposed to intense competition from both domestic players and established players in the overseas market.

### **Rating Sensitivities**

Significant improvement in scale of operations while sustaining its profitability margins.  
Higher than expected increase in total debt resulting in deterioration of financial risk profile.

### **Material covenants**

None

### **Liquidity position: Adequate**

The company has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.44.00 crore in FY23(Prov) compared against maturing debt obligation of Rs.20.91 crore over the same period. The cash accruals of the company are estimated to remain in the range of Rs.44.11-58.05 crore during 2024-25 period while its maturing debt obligations is estimated to be in the range of Rs.15.99-18.98 crore during the same period. The average utilization of the CC limits of the company remains high at ~81 percent in the last six months ended March' 23. The company maintains unencumbered cash and bank balances of Rs.2.90 crore as on March 31, 2023. The current ratio stood at 1.05 times as on March 31, 2023.

### **Outlook: Stable**

Acuité believes that the company will maintain a 'stable' outlook over the near to medium term owing to its experienced management and established operations of the company. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while maintaining profitability margins, improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of a delays in implementation of capex or higher than anticipated debt levels leading to deterioration in financial risk profile, particularly its liquidity.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	602.36	501.74
PAT	Rs. Cr.	33.89	(1.94)
PAT Margin	(%)	5.63	(0.39)
Total Debt/Tangible Net Worth	Times	1.29	3.23
PBDIT/Interest	Times	7.20	3.38

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

Crisil vide its press release dated 12.08.2022, had rated the company to CRISIL B+/Stable/A4; Issuer Not Cooperating.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Mar 2022	Cash Credit	Long Term	40.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	26.29	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.75	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	29.97	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	1.18	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	8.80	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	16.51	ACUITE BBB   Stable (Reaffirmed)
11 May 2021	Cash Credit	Long Term	40.00	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	16.51	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	29.97	ACUITE BBB   Negative (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	1.18	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	8.80	ACUITE BBB   Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	26.29	ACUITE BBB   Negative (Reaffirmed)
	Bank Guarantee	Short Term	3.75	ACUITE A3+ (Reaffirmed)
12 Feb 2020	Cash Credit	Long Term	40.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB- )
	Term Loan	Long Term	33.38	ACUITE BBB   Stable (Upgraded from ACUITE BBB- )
	Bank Guarantee	Short Term	3.75	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	22.86	ACUITE BBB   Stable (Upgraded from ACUITE BBB- )
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB- )
	Term Loan	Long Term	9.72	ACUITE BBB   Stable (Upgraded from ACUITE BBB- )
	Term Loan	Long Term	1.51	ACUITE BBB   Stable (Upgraded from ACUITE BBB- )
	Proposed Bank Facility	Long Term	15.28	ACUITE BBB   Stable (Upgraded from ACUITE BBB- )

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.75	ACUITE A3+   Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB   Stable   Reaffirmed
Cosmos Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	11.28	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.37	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.24	ACUITE BBB   Stable   Reaffirmed
Cosmos Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.43	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.15	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.28	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	25.00	ACUITE BBB   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt 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 Kanjurmarg, Mumbai.

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