

Press Release

Jagannath Polymers Limited

June 18, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 11.00 crore bank facilities of Jagannath Polymers Limited. The outlook is '**Stable**'.

Jagannath Polymers Limited (JPL) was established in the year of 1996 by Mr. Manoj Kumar Subudhi and Mr. Saroj Kumar Subudhi. The company is engaged in manufacturing Polypropylene and HDPE woven sacks and bags with installed capacity of 50 Lakh pcs per month. The manufacturing facility is located in Cuttack, Orissa.

Acuite has consolidated the business and financial risk profiles of Jagannath Plastipacks Limited, Jagannath Polypacks Limited & Jagannath Polymers Limited referred to as the Jagannath Group (JG) owing to a common management, the same line of business, significant financial linkages and fungible cash flows.

Key Rating Drivers

Strengths

Experienced management and long track record of operation:

JG has been in operations since 1984. The director of the JG Mr. Manoj Kumar Subudhi and Mr. Saroj Kumar Subidhi had an experience of more than three decades in plastic industry.

Moderate financial risk profile:

The moderate financial risk profile of the group is marked by moderate Networth, high gearing and moderate debt protection metrics. The net worth of the company stood moderate at Rs.7.28 crore in FY2017 as compared to Rs.6.94 crore in FY2016. The gearing of the company stood high at 3.90 times in FY2017 as compare to 4.27 times in FY2016. Total debt of Rs 28.38 crore consists of Rs 19.87 crore of short term debt from bank and long term loan of Rs.6.64 crore. The interest coverage ratio (ICR) of the company stood moderate at 1.56 times in FY2017 as compared to 1.50 times in FY2016. The debt service coverage ratio (DSCR) of the company stood moderate at 1.05 times in FY2017 as compared to 0.99 times in FY2016. The net cash accruals against the total debt stand comfortable at 0.07 times in FY2017 as compared to 0.06 times in FY2016.

Weaknesses

Moderate scale of operation:

The scale of operation of the group moderate at Rs.45.33 crore in FY2017 as compared to Rs.66.62 crore in FY2016. The group has booked Rs.41.48 crore till 31st March 2018 (Provisional).

Volatility in raw material prices and finished goods

Margins of the company are susceptible to volatility in crude oil prices. Any significant changes in crude oil prices due to import pressure and over supply would have an impact on margins of the company.

Working capital intensive nature of operation

The operations of JG is working capital intensive in nature marked by GCA days of 228 in FY 2017 and 252 days in FY 2016 mainly on account of high inventory the company has to maintain for raw material. Inventory day's stood at 197 days in FY 2017 and 173 days in FY2016 respectively. The company on an average hold inventory of 70 -100 days. In addition the debtor days stands at 38 days in FY 2017 and 59 days in previous year.

Outlook: Stable

Acuite believes that JG will continue to benefit over the medium term from the director's vast experience and from its established relationship with its key suppliers. The outlook may be revised to 'Positive' if JG achieves more than envisaged sales and profitability while maintaining its financial risk profiles. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	45.33	45.43	45.56
EBITDA	Rs. Cr.	5.79	5.13	4.38
PAT	Rs. Cr.	0.34	(0.53)	(2.02)
EBITDA Margin	(%)	12.78	11.29	9.62
PAT Margin	(%)	0.76	(1.17)	(4.43)
ROCE	(%)	13.19	9.17	10.53
Total Debt/Tangible Net Worth	Times	3.90	4.27	3.66
PBDIT/Interest	Times	1.56	1.50	1.30
Total Debt/PBDIT	Times	4.39	5.39	5.87
Gross Current Assets (Days)	Days	228	252	199

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities – <https://www.acuite.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

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	7.00	ACUITE B/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4

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