



Press Release

Jaysynth Dyestuff India Limited

October 16, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 9.00 crore bank facilities of JAYSYNTH DYESTUFF INDIA LIMITED (JDIL). The outlook is '**Stable**'.

The Mumbai based, JDIL was incorporated in 1985 by Mr. Parag Sharad Chandra Kothari among others. The company is engaged in manufacturing and trading of dyes, pigments and inks. It has manufacturing facilities located at Taloja and Patalganga (Maharashtra) with a total installed capacity of 37.80 lakh kgs. Jaysynth (Europe) Limited is a wholly owned subsidiary based out of Europe. Jaysynth (Europe) Limited is mainly engaged in distribution of the imports from Jaysynth Dyestuff (India) Limited.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of JDL group to arrive at the rating. The group consists of Jaysynth Dyestuff (India) Limited and Jaysynth (Europe) Limited which is a wholly owned subsidiary. The consolidation is done on the basis of operational linkages and common management.

Key Rating Drivers

Strengths

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

The promoter possesses experience of more than three decades in this industry. Acuité believes that JDL will benefit from the experience of the promoters.

- **Healthy financial risk profile**

The financial risk profile of JDL is healthy marked by net worth of Rs.70.23 crore as on FY2018 as against Rs.67.03 crore in FY2017. The gearing stood nil due to no existing debt facilities. The interest coverage ratio stood strong at 23.49 times in FY2018 as against 41.01 times in FY2017. The debt service coverage ratio stood robust at 19.34 times in FY2018 as against 32.10 times in FY2017. The Net Cash Accruals to Total Debt (NCA/TD) stood nil due to no existing debt facilities. The total outside liabilities to tangible net worth stood low at 0.43 times in FY2018 as against 0.39 times in FY2017. Further, Acuité believes that the financial risk profile of JDL will remain healthy due to absence of any debt funded capex backed by healthy net cash accruals.

Weaknesses

- **Working capital intensive operations**

The operations of the group are working capital intensive marked by high Gross Current Assets (GCA) days of 261 in FY2018 as against 219 in FY2017. The high GCA is due to high debtor days which stood at 129 in FY2018 as against 83 days in FY2017.

• **Highly fragmented and competitive nature of industry**

The group is exposed to intense competition from several organised and unorganised players in the industry which has affected the ability of the company to increase its margins.

• **Declining profitability margins**

The profitability margins of the group are showing a declining trend as operating margins decreased from 3.51 percent in FY2018 as against 6.58 percent in FY2017. This was mainly due to increase in raw material prices which could not be passed on to the customers. The PAT margins of the company declined to 1.60 percent in FY2018 from 4.03 percent in FY2017.

Outlook: Stable

Acuite believes that the outlook on JDL will remain 'Stable' over the medium term backed by its established track record of operations. The outlook maybe revised to 'Positive' in case the company shows improvement in profitability levels along with improvement in the working capital cycle. Conversely, the outlook maybe revised to 'Negative' in case of decline in profitability or a further stretch in the working capital cycle.

About the Group

Established in 1985, JDL group is involved in manufacturing of dyes, pigments and inks. The group promoted by Mr. Parag Sharad Chandra Kothari includes Jaysynth Dyestuff (India) Limited which is engaged in manufacturing of dyes, pigments and inks. Its subsidiary Jaysynth (Europe) Limited is engaged in distribution of dyes, pigments and inks which are majorly imported from Jaysynth Dyestuff (India) Limited.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	118.19	121.99	121.03
EBITDA	Rs. Cr.	4.15	8.03	9.20
PAT	Rs. Cr.	1.89	4.92	6.36
EBITDA Margin	(%)	3.51	6.58	7.60
PAT Margin	(%)	1.60	4.03	5.25
ROCE	(%)	4.20	10.46	27.58
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	23.49	41.01	47.01
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	261	219	225

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

Not Available

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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

***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	7.00	ACUITE BB / Stable
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+

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About Acuite Ratings & Research:

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