

Press Release

Jaysynth Dyestuff India Limited

November 05, 2019

Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.9.00 crore bank facilities of Jaysynth Dyestuff (India) Limited (JDIL). The outlook is '**Stable**'.

The rating upgrade is in view of significant improvement in operating performance marked by improvement in its profitability margins. The upgrade also draws comfort from company's negligible reliance on external borrowings as reflected by its healthy financial risk profile.

EBITDA margins and PAT margins increased to 5.95 percent and 3.32 percent in FY2019 from 3.39 percent and 1.43 percent in FY2018, respectively. The growth is on the account of focusing more on high margin product i.e. Digital Ink.

JDIL was incorporated in the year 1985 by Kothari family. JDIL is engaged in manufacturing and trading of dyes, pigments and digital inks. The product portfolio has application in paint, textile and chemical industry. The manufacturing facility is located at Taloja and Patalganga (Maharashtra) with a total installed capacity of 37.80 lakh kg. The company is listed on Bombay Stock Exchange (BSE).

Analytical Approach

Acuité has consolidated the business and financial risk profile of JDIL and its wholly owned subsidiary in Europe i.e. Jaysynth (Europe) Limited hereinafter referred to as Jaysynth Group (JG). The consolidation is in view of similar line of business and common ownership. Extent of Consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management and improving business risk profile**

The group founded by Mr. Parag Sharadchandra Kothari has long track record of operations of over three decades. Mr. Nikhil Kothari and Ms. Jyoti Nirav Kothari has been involved with the company since inception. The top management is ably supported by a well-qualified and experienced team. The experience of the management has helped the group in improving operating profitability as reflected by increase in EBITDA margin to 5.95 percent in FY2019 from 3.39 per cent in FY2018. Moreover, PAT margins also rose to 3.32 percent in FY2019 from 1.43 percent in FY2018. The improvement in the margins was mainly on account of higher realization from Digital ink segment.

Acuité expects that Jaysynth group will continue to benefit from their experience management in the industry and its improving business risk profile over the medium term.

- **Healthy financial risk profile**

The financial risk profile of JG is healthy marked by healthy net worth and healthy debt protection measures. The net worth stood at Rs.73.79 crore as on 31 March 2019 as against Rs.70.24 crore as on 31 March 2018. The group has followed a conservative financial policy with very low reliance on external debt. Further, Interest Coverage Ratio (ICR) stood healthy at 23.04 times in FY2019.

Acuité believes that the financial risk profile of the group will continue to remain healthy over the medium term on account of conservative financial policy.

Weaknesses

• Working capital intensive operations

The operations of the group are working capital intensive marked by high Gross Current Assets (GCA) days of 226 in FY2019 as against 262 in FY2018. The GCA days are high due to high debtor days which stood at 106 in FY2019 as against 129 days in FY2018. Inventory days are also on the higher side at 79 days in FY2019 as against 74 days in FY2018. However, the bank limit utilization of working capital facility remains unutilized for the past three years.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Highly fragmented industry

The group operates in a highly fragmented chemical industry with the presence of large number of players in the organised as well as unorganised sector. This limits the bargaining power of JG with customers. However, the longstanding customer relationships moderates this risk to an extent.

Rating Sensitivity

- Significant growth in revenues while maintaining profitability margins
- Improvement in working capital cycle

Material covenants

None

Liquidity: Strong

JG has strong liquidity marked by healthy net cash accruals against no debt obligations. JG generated cash accruals of Rs. 3-6.00 crore during the last three years through 2017-19, whilst there are no debt obligation over the same period. The cash accruals of the group are estimated to remain around Rs.6-7 crore during 2019-21. JG had no reliance on working capital borrowings, the cash credit limit remains unutilized. The group maintained unencumbered cash and bank balances of Rs.5.22 crore as on March 31, 2019. The current ratio of JG stood at 4.02 times as on March 31, 2019. Acuite believes that the liquidity of JG is likely to remain strong over the medium term on account of growing cash accruals.

Outlook: Stable

Acuite believes that JG will maintain a 'Stable' business risk profile in the medium term on account of its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profitability while maintaining working capital cycle. 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 elongated working capital cycle.

About the Group

Established in 1985, Jaysynth 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	121.04	118.05	121.99
EBITDA	Rs. Cr.	7.20	4.01	7.96
PAT	Rs. Cr.	4.02	1.69	4.85
EBITDA Margin	(%)	5.95	3.39	6.52
PAT Margin	(%)	3.32	1.43	3.97
ROCE	(%)	7.68	3.93	10.35
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	23.04	22.80	40.69
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	226	262	219

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

Not Available

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-October-2018	Cash Credit	Long Term	7.00	ACUITE BB / Stable (Assigned)
	Bill Discounting	Short Term	2.00	ACUITE A4+ (Assigned)

***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 (Upgraded from ACUITE BB/ Stable)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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