Press Release

Jaysynth Dyestuff India Limited

January 29, 2020

Rating Upgraded

Total Bank Facilities Rated*	Rs.9.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+/ Stable)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB-**' **(read as ACUITE triple B minus)** from '**ACUITE BB+**' **(read as ACUITE double B plus)** and the short-term rating to '**ACUITE A3' (read as ACUITE A three)** from '**ACUITE A4+**' **(read as ACUITE A four plus)** on the Rs.9.00 Cr. bank facilities of Jaysynth Dyestuff (India) Limited (JDIL). The outlook is **'Stable'**.

The rating upgrade is in the view of long track record of operations, experience of promoters for over three decades in the dyes & pigments industry, healthy financial risk profile and adequate liquidity position as reflected by high NCA against no repayment obligations and prudent utilization of the working capital facilities. Despite a marginal decline in revenue from operations by 3 percent Y-o-Y in FY20, the financial risk profile of the company remain healthy reflected by healthy net worth and very low reliance on external borrowings during the same period. Further, the revenue of the company increased by 6 percent Y-o-Y and stood at Rs.87.18 Cr. for 9MFY21 as against Rs.82.47 Cr. same period last year. The improvement in revenues is on account of increase in demand in the dyes and ink products on the company.

About the company
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).

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.

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**
  Mumbai based Jaysynth Group was incorporated in 1985 by Mr. Parag Sharad Chandra Kothari and is engaged in manufacturing and trading of dyes, pigments and inks. Along with the promoter, the other directors of the group i.e. Mr. Nikhil Kothari and Ms. Jyoti Nirav Kothari has also been involved with the group since its inception having an experience of over three decades in the dyes and pigment industry. The group has a competent management and is ably supported by a well-qualified and experienced second line personnel. The extensive experience of the management in the dyes & pigments industry has helped the

group to build healthy relationships with its customers and suppliers.

Acuité believes that the promoter's extensive experience in the aforementioned industry would aid the business risk profile of the group over the medium term.

- **Healthy financial risk profile**
  The financial risk profile of the group remained healthy marked by healthy net worth, low gearing and healthy debt production metrics. The tangible net worth of the group increased to Rs.76.40 Cr. as on 31 March, 2020 as against Rs.73.79 Cr. in the previous year. The group follows a very conservative policy with very low reliance on external debt which is reflected by very low debt of Rs.0.14 Cr. as on 31 March, 2020 compared to no debt last year. The interest coverage ratio deteriorated yet remained comfortable at 14.25 times for FY20 as against 23.04 times in the previous year. The debt service coverage ratio stood at 12.22 times for FY20 as against 19.13 times in the previous year. The total liabilities to tangible net worth (TOL/TNW) also stood low at 0.35 times as on 31 March, 2020 as against 0.31 times in the previous year.

  Acuité believes that the financial risk profile of the group is expected to remain healthy on account of low reliance of external debt and in absence of any major debt funded capex in near to medium term.

Weaknesses

- **Decline in scale of operations and profitability in FY20**
  The revenue from operations of the group decline to Rs.116.88 Cr. in FY20 as against Rs.121.04 Cr. in FY19 majorly on account of lower demand in the dyes and pigments segment. While the revenues of the group was decline on account of lower demand, the profitability of the group was also impacted on account of high raw material costs and increase in other operating expenses. The EBITDA and PAT margin for FY20 stood at 4.38 and 2.20 percent as compared to 5.95 and 3.32 percent in FY19 respectively. However, the revenues reported by the group from April, 20 to December, 20 showed a ~6 percent Y-o-Y improvement which stood at Rs.87.18 Cr.

- **Working capital intensive operations**
  The operations of the group working capital intensive in nature marked by high Gross Current Assets (GCA) of 248 days for FY20 as against 226 days for FY19. This is majorly on account of increase in inventory and debtor levels to 98 days and 112 days in FY20 compared to 79 and 106 days in FY19 respectively. Subsequently, the creditor days was also increased to 81 days in FY20 compared to 64 days in FY19. However, the average cash credit limit utilization stood very low at around 8 percent during the last six months ended December, 2020.

  Acuité believes that the group's ability to maintain its working capital efficiently will remain a key to maintain 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

- Growth in revenues while maintaining profitability margins
- Stretch in working capital cycle and deterioration in liquidity position

Material covenants

None

Liquidity: Adequate

The group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.4.47 crore for FY20 while its maturing debt obligations were nil for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.5.65 crore to Rs.7.40 crore during 2021-23 period against nil repayment obligation during the same period. Despite group's working capital intensive operations as marked by GCA days of 248 days as on 31 March, FY20, the average bank limit utilization stood very low at ~8 percent ended December, 20. The group maintains unencumbered cash and bank balances of Rs.5.42 crore as on 31, March, 20. The current ratio stood healthy at 3.26 times as on 31 March, 20. Acuité believes that the liquidity of the group is likely to remain strong over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité 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 group 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 group registers lower-than-expected growth in revenues and profitability, or in case of elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	116.88	121.04
PAT	Rs. Cr.	2.57	4.02
PAT Margin	(%)	2.20	3.32
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	14.25	23.04

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-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-60.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-November-2019	Cash Credit	Long Term	7.00	ACUITE BB+ / Stable (Upgraded from ACUITE BB/Stable)
	Bill Discounting	Short Term	2.00	ACUITE A4+ (Reaffirmed)
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 BBB-/ Stable (Upgraded from ACUITE BB+/ Stable)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Upgraded from ACUITE A4+)

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About Acuité Ratings & Research:
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