Press Release

Jaysynth Dyestuff India Limited

April 29, 2022

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	-	ACUITE A3+ | Upgraded
Bank Loan Ratings	7.00	ACUITE BBB | Stable | Upgraded	-
Total Outstanding Quantum (Rs. Cr)	9.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded its long-term rating to **'ACUITE BBB' (read as ACUITE t riple B)** from **'ACUITE BBB-' (read as ACUITE triple B minus)** and its short-term rating to **'ACUITE A3+' (read as ACUITE A three plus)** from **'ACUITE A3'(read as ACUITE A three)** on the Rs.9.00 Cr. bank facilities of Jaysynth Dyestuff (India)Limited (JDIL). The outlook is 'Stable'.

Rationale for rating upgrade

The rating upgrade is on account of improved business risk profile of the company during the current financial year. The rating continues to factor in the experienced management with long track record of operations of over three decades in the dyes and pigment industry, healthy financial risk profile and adequate liquidity position of the company. The rating is however constrained by working capital intensive nature of operations and operating in a highly competitive & fragmented industry.

About 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 49.80 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

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

Key Rating Drivers

Strengths

Experienced management and improving business risk profile

Jaysynth Group,based in Mumbai was incorporated in 1985 by Mr. Parag Sharad Chandra Kothari.It 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. The extensive experience of promoters is also reflected in its improving revenues to Rs 127.11 Cr in FY 2021 as against Rs 116.88 Cr in FY 2020, which is majorly on the account of increase in demand. Further in 9M FY 2022, the company has already achieved a revenue of Rs 120.89 Cr. The operating margins of the company has also improved to 6.29 percent as on FY 2021 against 4.38 percents as on FY 2020 and PAT margins has improved to 3.55 percent in FY 2021 from 2.20 percent in FY 2020. Acuité believes that the promoter's extensive experience in the aforementioned industry would help the group over the medium term.

Healthy financial risk profile

The Group's financial risk profile continues to remain healthy marked by strong net-worth, low gearing and comfortable debt protection metrics. The net worth of Group stood at Rs.82.29 Cr as on March 31, 2021 as against Rs.76.39 Cr as on March 31, 2020. The increase in networth is majorly due to accretion of profits in reserves. The gearing level of the group stood low at 0.06 times as on March 2021 and total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.40 times as on March 2021 . The total debt of the company comprised of long term debt of Rs.0.53 crore and short term debt of Rs.4.19 crore as on 31 March 2021. The coverage ratios of the company improved with Interest Coverage Ratio (ICR) of 24.15 times in FY2021 as against 14.25 times in FY2020. The Debt Service Coverage Ratio (DSCR) stood at 19.10 times in FY2021 as against 12.22 times in FY2020. Acuité believes that the financial risk profile of the group is likely to remain healthy over the medium term on account of healthy growth in scale of operations and healthy networth with very low dependence on debt.

Weaknesses

Working capital intensive operations

The group's operations are working capital intensive marked by Gross Current Asset (GCA) of 261 days as on March 31, 2021, as against 248 days as on March 31 2020. The high GCA days is majorly on account of increase in the inventory levels which stood at 106 days for FY2021 compared against 98 days for FY2020. The high inventory levels is majorly due to pigments segment of the product portfolio. Subsequently, the debtor days also increased and stood at

120 days for FY2021 against 112 days for FY2020. The creditor days of the company stood at 76 days for FY2021 as against 81 days for FY2020. Despite the high GCA days, the average utilization of the working capital limits of the company remained low at ~6 percent in last six months ended February 2022. Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

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.

ESG Factors Relevant for Rating

Chemical companies, including specialty and commodity chemical producers, face environmental risks arising from their exposure to waste, pollution, and toxicity. The key social risks for chemical companies evolve around health & safety of labors. Health and safety of the employees are considered one of the most important and integral aspects of the work. The company has done all the requisites steps towards fulfilling safety requirements and norms of its employees. Company as a part of their social responsibilities also ensures that the workmen are well aware of the safety procedures required to be followed while doing any activity of production. From the environment perseptive, company ensures compliances of regulatory requirements under environmental laws.
On the governance front, the Company has complied with all the requirements of Corporate Governance as laid down under provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.The company has complied with the composition required for the board of directors consisting of 1 executive director,1 non executive promoter director,1 non executive non promoter woman director and 4 independent directors. Also, the company has different committees of board like Audit committee, CSR committee, stakeholders relationship committee, Nomination and Remuneration Committee, etc.

Rating Sensitivities

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

Material Covenants

None

Liquidity position: Adequate

The group has adequate liquidity position marked by adequate net cash accruals against nil debt obligations. The company generated cash accruals of Rs.6.27 crore in FY21 compared against nil maturing debt obligations for the same period. The cash accruals of the company are estimated to be around Rs.9.04-14.11 crore during 2022-24 period while its matured debt obligations is estimated to be around 0.09 crore during the same period. The company reliance on working capital borrowings is also on a lower side marked by average utilization of working capital limits of ~6 percent during the last six months period ended February 2022.Furthermore, the company maintains unencumbered cash and bank balances of Rs.4.99 crore as on March 31, 2021 and the current ratio stood at 3.20 times as on March 31, 2021.

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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	127.11	116.88
PAT	Rs. Cr.	4.51	2.57
PAT Margin	(%)	3.55	2.20
Total Debt/Tangible Net Worth	Times	0.06	0.00
PBDIT/Interest	Times	24.15	14.25

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

Not available

Any Other Information

None

Applicable Criteria

• Application Of 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
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jan 2021	Cash Credit	Long Term	7.00	ACUITE BBB- | Stable (Upgraded from ACUITE BB+ | Stable)
	Bills Discounting	Short Term	2.00	ACUITE A3 (Upgraded from ACUITE A4+)
05 Nov 2019	Cash Credit	Long Term	7.00	ACUITE BB+ | Stable (Upgraded from ACUITE BB | Stable)
	Bills Discounting	Short Term	2.00	ACUITE A4+ (Reaffirmed)
16 Oct 2018	Bills Discounting	Short Term	2.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BB | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB | Stable | Upgraded
Canara Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ | Upgraded

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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.