Press Release
Jaysynth Dyestuff India Limited
July 21, 2023
Rating Reaffirmed

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

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

Rationale for reaffirmation rating
The rating takes into account the established track record of operations in the dyes & pigments industry with experienced management of over three decades in the same industry. The rating also draws comfort from the strong financial risk profile of the group with strong net worth of Rs.94.99 Cr. as on 31 March 2023 and low gearing of 0.01 times as on same period. Furthermore, the debt protection matrices remains comfortable, marked by interest coverage Ratio (ICR) of 32.16 times and Debt Service Coverage Ratio (DSCR) at 25.63 times for FY 2023. The liquidity of the group remains adequate with cash accruals of Rs.6.82 Cr., liquid investments of Rs. 11.91 crore and current ratio of 3.28 times in FY2023. The rating is however constrained by deterioroiting business risk profile of the group marked by a decline in the operating income from Rs.162.31 Cr. in FY2022 to Rs.140.04 in FY2023, due to lethargic demand from the European market. Also, the operating profit margins of the group declined to 5.97 percent in FY2023 against 7.39 percent in FY2022. Further, the operations of the company are working capital intensive in nature and operates 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. This 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 including Jaysynth Dyestuff (India) Limited is promoted by Mr. Parag Sharad Chandra Kothari, engaged in manufacturing 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) to arrive at the rating. The consolidation is in view of similar line of business and common ownership.

Key Rating Drivers

Strengths

Experienced management

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, with an experience of over three decades in the dyes and pigment industry. The group has a competent management and is ably supported by 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.

Healthy Financial Risk Profile

The group's financial risk profile is healthy marked by strong net-worth, low gearing, and comfortable debt protection metrics. The net worth of the group stood at Rs. 94.99 Cr. as on 31 March 2023 against Rs. 89.35 Cr. as on 31 March 2022. The increase in net-worth is majorly due to accretion of profit in reserves. The gearing level of the group stood low at 0.01 times as on 31 March 2023 as against 0.04 times as on 31 March 2022. The company has sanctioned cash credit limit of Rs.7.00 Cr., however, the same stood at Rs. 0.29 Cr. as on March 31, 2023. The coverage ratios of the company remained comfortable with Interest Coverage Ratio (ICR) of 32.16 times for FY2023 as against 39.41 times for FY2022. The Debt Service Coverage Ratio (DSCR) stood at 25.63 times for FY2023 as against 29.52 times for FY2022. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.33 times as on 31 March 2023 as against 0.34 times as on 31 March 2022. The company is not planning for any capex in the medium term. Acuite believes that the financial risk profile of the group is likely to remain healthy over the medium term on account of healthy net-worth, and lower dependence on debt.

Weaknesses

Deterioration in Business Risk Profile

The business risk profile of the group witnessed deterioration marked by decline in operating income from Rs.162.31 Cr. in FY2022 to Rs.140.04 in FY2023 majorly due to sluggish demand from the European market. Also, the operating profit margins of the group declined to 5.97 percent in FY2023 against 7.39 percent in FY2022. The decline in margin is due the rise in the cost of raw material which the company was not able to pass on further to its customers. The raw material includes crude ink and dyes. The PAT Margins have declined to 3.48% in FY 2023 as against 4.40% in FY 2022. Acuité believes that the group's ability to improve the operating income and profitability will remain a key rating monitorable over the medium term.

Intensive Working Capital Management

The working capital management of the group is marked intensive as evident from Gross Current Asset (GCA) days of 221 days as on March 31, 2023, as against 212 days as on March 31, 2022. The high GCA Days is majorly on account of increase in Inventory levels which stood at 135 days for FY 2023 compared against 113 days for FY 2022. The high inventory levels are majorly due to pigments segment of the product portfolio. The debtor days declined to 76 days for FY 2023 as against 88 days in FY 2022, while the creditor days increased to 89 days in FY 2023 as against 58 days in FY 2022. The average utilization of the working capital limits of the company remained low at -3.43 percent in last ten months ended June 2023. Acuite 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 liquidity position of the group remains adequate reflected by net cash of Rs. 6.82 Cr. in FY 2023 as against nil repayment during the same period with no plans of availing term loans in near future. The liquidity profile of the group is also supported by liquid investment of Rs. 11.91 Cr as on 31 March 2023. Furthermore, the company-maintained cash and bank balances of Rs.2.58 crore as on March 31, 2023, and the current ratio stood at 3.28 times as on March 31, 2023. Acuite believes that the liquidity position of the group is expected to remain adequate going ahead on account of adequate net cash accruals against no repayment obligations.

Outlook:

Acuité believes that JDIL 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	140.04	162.31
PAT	Rs. Cr.	4.87	7.15
PAT Margin	(%)	3.48	4.40
Total Debt/Tangible Net Worth	Times	0.01	0.04
PBDIT/Interest	Times	32.16	39.41

Status of non-cooperation with previous CRA (if applicable)
None

Any Other Information
None

Applicable Criteria
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Complexity Level Of Financial Instruments: https://www.acuite.in/view-rating-criteria-55.htm
• Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
• Trading Entitie: https://www.acuite.in/view-rating-criteria-61.htm

Note on Complexity Levels of the Rated Instrument
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Apr 2022	FBN/FBP/FBD/PSFC/FBE	Short Term	2.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	7.00	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
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+)

Annexure - Details of instruments rated

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

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Satyam . Analyst-Rating Operations Tel: 022-49294065 satyam.saxena@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.