

Press Release

J Basheer Ahamed And CO

December 14, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 12.00 crore bank facilities of J Basheer Ahamed And CO (JBAC). The outlook is '**Stable**'.

JBAC is a partnership firm established in 1978 by partners, namely, Mr. M E Jamaludeen, Mr. A. Mohamed Ansar, Mr. J. Basheer Ahamed, Mr. J. Asrar Ahamed and Mrs. A. Saliha. The firm is engaged in processing and trading of recycled glass cullet (broken glass). The firm has two processing facilities for washing and grading; one is located near Pondicherry, and other is located at Naidupeta (Andhra Pradesh) with aggregate installed capacity of 650 Metric tons per day.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of JBAC to arrive at the rating.

Key Rating Drivers

Strengths

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

JBAC established in 1978 is engaged in processing and trading of recycled glass cullet (broken glass). Long vintage of operations helped the company in getting repeat orders from reputed corporates including Hindusthan National Glass & Industries Limited and Mohan Breweries & Distilleries Limited, among others. The association has helped the company in generating steady revenues at a compound annual growth rate of about 22 percent over three years through FY2018 at Rs.63.90 crore. Acuité believes that JBAC's longstanding presence and relationship with reputed clients is expected to support in improving the business risk profile over the medium term.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the firm is marked by high gearing (debt-to-equity) and total outside liabilities to total net worth (TOL/TNW) and average debt protection metrics. Its gearing is high at 1.88 times as on March 31, 2018. TOL/TNW is high at 2.21 times March 31, 2018 as against 4.96 times in FY2017. The net worth is modest at Rs.17.64 crore as on 31 March, 2018. Its debt protection metrics are average as interest coverage ratio (ICR) stood at 1.47 times and net cash accruals to total debt (NCA/TD) at about 0.07 times in FY2018. The firm has generated cash accruals of about Rs.2.50 crore in FY2018; it has yearly repayment obligations of about Rs.1.40 crore against which its cash accruals are likely in the range of Rs.3.00 - 3.50 crore over the medium term. Acuité believes that the financial profile of the firm is expected to improve marginally over the medium term in the absence of significant debt-funded capex plans and term loan repayments.

- **Working capital intensive nature of operations**

JBAC has high working capital operations as evident from Gross Current Asset (GCA) days of 237 as on March 31, 2018 as against 245 days as on March 31, 2017. The GCA days were high mainly due to high debtor days. The debtor days stood at 216 in FY2018 and historically, it was high at above 200 days. The inventory days are moderate at 29 as on March 31, 2018. High GCA, moderate accruals and repayment obligations lead to full utilisation of working capital limits over the past six months ended October 2018.

Acuite believes that the operations continue to be at similar levels due to the nature of the operations and modest accruals.

Outlook: Stable

Acuite believes that JBAC will maintain a 'Stable' outlook over the medium term backed by its promoter's industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while sustaining the profitability and improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	63.90	63.61	42.72
EBITDA	Rs. Cr.	7.60	6.62	6.48
PAT	Rs. Cr.	1.86	1.89	1.75
EBITDA Margin	(%)	11.90	10.42	15.18
PAT Margin	(%)	2.91	2.98	4.11
ROCE	(%)	13.77	12.57	26.43
Total Debt/Tangible Net Worth	Times	1.88	1.70	1.26
PBDIT/Interest	Times	1.47	1.62	1.62
Total Debt/PBDIT	Times	4.26	4.96	3.74
Gross Current Assets (Days)	Days	237	245	300

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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