

Press Release

Jayant Printery LLP

D-U-N-S® Number: 87-097-8477

May 31, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 18.00 crore bank facilities of Jayant Printery LLP (JPLP). The outlook is '**Stable**'.

JPLP was established in 1986 as partnership firm, which reconstituted in 2014 as Jayant Printery LLP. The firm is promoted by Mr. Chhotubhai Shah and Mr. Shashank Shah and is engaged in printing of textbooks, diaries, magazines and commercial printing of books, annual reports and calendars. The firm has its manufacturing unit located in Palghar. The firm also provides pre-printing and post-printing services.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of JPLP to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

JPLP was established in 1986 by Mr. Chhotubhai Shah and currently is managed by Mr. Shashank Shah. The firm has established track record of around four decades in the same line of business. Mr. Chhotubhai Shah possesses more than four decades of experience in business of printing and is ably assisted by an experienced second line of management. Mr. Shashank Shah possesses experience of almost a decade in the said industry. This has helped JPLP manage reputed clientele.

Acuité believes that JPLP will benefit from experienced management which will help the firm to maintain long standing relations with its customer and suppliers.

• Average financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs.9.65 crore as on 31 March, 2018 as against Rs.8.48 crore in the previous year. The gearing stood average at 1.75 times as on 31 March, 2018 as against 2.10 times in the previous year. The total debt of Rs.16.92 crore includes term loan from bank of Rs.7.14 crore, working capital borrowings of Rs.5.77 crore and unsecured loan of Rs.4.00 crore. Interest Coverage Ratio (ICR) stood average at 2.10 times in FY2018 as against 1.82 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 3.76 times as on 31 March, 2018 as against 3.32 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.14 times in FY2018 compared to 0.09 times in FY2017.

Going ahead, Acuité believes that the financial risk profile of JPL will remain moderate in absence of any major debt funded capex and moderate net cash accruals.

Weaknesses

• Fluctuating revenue with declining profitability

The operations of JPLP are fluctuating marked by operating income of Rs.58.57 crore in FY2018 as against Rs.45.50 crore in FY2017 and Rs.55.51 crore in FY2016. The firm has booked revenue of Rs.68.38 crore for FY2019 (Provisional). Further, the firm's operating margins have shown declining trend of 7.60 percent in FY2018 as against 7.96 percent in FY2017 and 8.55 percent in FY2016. The firm reported Profit after Tax (PAT) margin of 1.13 percent in FY2018 against 0.59 percent in FY2017 and 1.92 percent in FY2016.

Acuite believes that the firm's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

• Working capital intensive operations

The firm's operations are working capital intensive marked by high Gross Current Asset (GCA) of 196 days in FY2018 as compared to 171 days in FY2017. The GCA days are mainly dominated by collection period of 122 days in FY2018 compared to 93 days in FY2017. The inventory holding stood at 66 days in FY2018 and FY2017. Further, working capital is supported by high creditor days of 134 in FY2018. The working capital facility is fully utilised for last six months ending January 2019. Acuite believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Liquidity Position:

Liquidity of JPL is average marked by the net cash accruals against repayment obligations. The firm has generated cash accruals of Rs.1.53-2.33 crore for FY2016-18, while its maturing debt obligations were Rs.0.91 crore over the same period. The cash accruals of the firm are estimated to remain around Rs.2.00-3.50 crore during 2019-21. The firm operates in a working capital intensive nature of operations marked by gross current asset (GCA) days of 196 in FY2018. Further, the cash credit limit of the firm is utilised fully for last six months ended January 2019. The firm maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2018. The current ratio of the firm stood at 1.24 times as on March 31, 2018.

Outlook: Stable

Acuite believes that JPLP's outlook will remain 'Stable' and the firm will benefit over the medium term from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving working capital cycle and maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or higher-than-expected working capital requirements and deteriorating financial risk profile and liquidity position of the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	58.57	45.50	55.51
EBITDA	Rs. Cr.	4.45	3.62	4.75
PAT	Rs. Cr.	0.66	0.27	1.07
EBITDA Margin	(%)	7.60	7.96	8.55
PAT Margin	(%)	1.13	0.59	1.92
ROCE	(%)	11.89	9.51	28.70
Total Debt/Tangible Net Worth	Times	1.75	2.10	1.91
PBDIT/Interest	Times	2.10	1.82	2.51
Total Debt/PBDIT	Times	3.75	4.83	3.37
Gross Current Assets (Days)	Days	196	171	145

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00*	ACUITE BB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE BB-/ Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE A4
Proposed Non-Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4

*Sublimit - LC of Rs.2.00 crore of CC

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Grishma Muni Analyst - Rating Operations Tel: 022-49294075 grishma.muni@acuiterratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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