Press Release

Jayant Printery LLP

August 19, 2020

Rating Reaffirmed

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

** Refer Annexure for details*

Rating Rationale

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

Jayant Printery LLP (JPL) was established in 1986 as a 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 the 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 considered the standalone business and financial risk profiles of JPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

  The firm was established by Mr. Chhotubhai Shah and Ms. Divya Shah, who have experience of over four decades in the printing industry. The firm is ably assisted by an experienced second line of management. Mr. Shashank Shah possesses experience of almost a decade in the said industry. The promoters are able to establish a market position by continuous technology up-gradation and capacity expansion. JPL's product range includes books, annual report, calendars, diaries, magazines etc. with technology like embossing, foiling, gilding, UV varnish, etc. This has helped JPL cater to reputed customers like Life Insurance Corporation of India, The Institute of Cost Accountants of India, Reserve Bank of India and ACC Cements among others.

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

- **Improving revenue and profitability**

  JPL's revenue grew at CAGR of ~22 percent over the last two years through FY2017 to FY2019. The firm showed improvement in revenues marked by an operating income of Rs. 67.86 crore in FY2019 as against Rs.58.57 crore in FY2018 and Rs.45.50 crore in FY2017. The firm booked revenue of Rs.63.89 crore (Provisional) in FY2020. Repeated orders from reputed customers is helping JPL improve its revenue.

  Further, JPL's operating margin stood healthy at 10.49 percent (Provisional) in FY2020 as against 8.76 percent in FY2019 and 7.60 percent in FY2018. The company reported Profit after Tax (PAT) of 1.27 percent (Provisional) in FY2020 as against 1.20 percent in FY2019 and 1.13 percent in FY2018.

  Acuité believes that the growth in revenue and sustenance of its profitability margins are expected to support the overall growth of the firm.

Weaknesses

- **Working capital intensive operations**

The firm's operations are working capital intensive marked by high Gross Current Asset (GCA) of 225 days (Provisional) in FY2020 as compared to 183 days in FY2019. The debtor collection period stood at 115 days (Provisional) as on March 31, 2020 compared to 89 days as on March 31, 2019. The inventory holding stood at 105 days (Provisional) as on March 31, 2020 as against 81 days as on March 31, 2019. Increase in inventory days is majorly on account of the outbreak of COVID – 19 followed by lockdown across the country due to which there were restrictions on the movement of goods and people across the country. Further, the working capital facility is fully utilised for the last six months ending March, 2020.

Acuité believes an efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Average financial risk profile**

JPL has an average financial risk profile marked by tangible net worth of Rs.11.30 crore (Provisional) as on 31 March, 2020 as against Rs. 10.33 crore as on 31 March, 2019. The gearing (debt to equity) stood at 2.09 times (Provisional) as on March 31, 2020 as against 2.36 times as on March 31, 2019. The total debt of Rs.23.66 crore (Provisional) as on March 31, 2020 consists of a term loan of Rs.5.61 crore, unsecured loans of Rs.6.08 crore and working capital borrowing of Rs. 11.97 crore. Interest Coverage Ratio (ICR) stood moderate at 1.79 times (Provisional) in FY2020 as against 1.98 times in FY2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.76 times (Provisional) as on 31 March, 2020 as against 3.88 times as on 31 March, 2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times (Provisional) in FY2020 as against 0.10 times in FY2019.

Going forward, Acuité expects the financial risk profile to improve on account of improvement in operating performance.

Rating Sensitivities

- Any further deterioration in working capital management
- Significant improvement in scale of operation while maintaining profitability margins

Material Covenants

None

Liquidity position: Stretched

The firm has stretched liquidity marked by net cash accruals of Rs. 2.03-2.54 crore as against maturing debt obligations of Rs. 0.91-1.20 crore for the period FY2018 to FY2020. The cash accruals of the firm are estimated to remain in the range of around of Rs.2.3-4.00 crore during the period 2021-23 against repayment obligation of Rs.1.9-1.20 crore. The firm maintains unencumbered cash and bank balances of Rs. 0.23 crore (Provisional) as on 31 March, 2020. Working capital borrowings are fully utilised for the last six months ended in July, 2020. The current ratio stood at 1.25 times (Provisional) as on 31 March, 2020. Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term on account of low cash accrual over the medium term.

Outlook: Stable

Acuité believes that JPL's outlook will remain 'Stable' over the medium term from its experienced management along with improvement in revenues and profitability. The outlook may be revised to 'Positive' in case of higher than expected growth in its revenues while improving its profitability. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or stretch in its working capital management leading to the deterioration of its financial risk profile and further deterioration in liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	63.89	67.86
PAT	Rs. Cr.	0.81	0.82
PAT Margin	(%)	1.27	1.20
Total Debt/Tangible Net Worth	Times	2.09	2.36
PBDIT/Interest	Times	1.79	1.98

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

Not Applicable

Any other information

None

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

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
31-May-2019	Cash Credit	Long Term	12.00	ACUITE BB- /Stable (Assigned)
	Term Loan	Long Term	2.90	ACUITE BB- /Stable (Assigned)
	Bank Guarantee	Short Term	1.10	ACUITE A4 (Assigned)
	Proposed Bank Facility	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	12.00	ACUITE BB- /Stable (Reaffirmed)
Term Loan	May, 2018	Not Applicable	Apr, 2025	2.14	ACUITE BB- /Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.86	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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