# Press Release

**J L Morison India Limited**

June 12, 2019

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs.15.81 Cr. |
| **Long Term Rating** | ACUITE BBB+ / Outlook: Stable |
| **Short Term Rating** | ACUITE A2 |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned long-term rating of '**ACUITE BBB+**' **(read as ACUITE triple B plus)** and short term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs. 15.81 crore bank facilities of J L MORISON INDIA LIMITED. The outlook is **'Stable'**.

Established in 1934, JLML is engaged in manufacturing, marketing and distribution of own brands such as Morison, Baby Dreams, Zero Gravity, and Gentlemen in the personal and health care segments for over 7 decades. JLML also markets and distributes products of other brands like Emoform, Coty, Equal, Bigen and Beechams. The company is managed by the current chairman Mr. Raghu Mody.

### Analytical Approach

Acuité has consolidated business and financial risk profile of J L Morison India Limited (JLML), Rasoi Limited (Rasoi) and Leaders Healthcare Limited (LHL), hereinafter referred to as the J L Morison Group, to arrive at rating. The consolidation is in view of common management, similar line of business and various operational and financial synergies between the companies. Extent of consolidation: Full.

### About the group companies:

West Bengal based, Rasoi Limited, is engaged in manufacturing of baby care products and packing materials and also engaged in metal trading and treasury and investment activity. The manufacturing facility is located at Banganagar, West Bengal. The operating income of the company stood at Rs. 16.38 crore for FY2019 (Provisional) (PY: Rs. 21.71 crore) with net profit of Rs. 3.08 crore in FY2019 (Provisional) (PY: Rs.5.20 crore). Rasoi Limited holds 19.98 percent stake in JLML.

Leaders Healthcare Limited (LHL) was established in 1986 and is engaged in manufacturing of oral hygiene products. LHL supplies 100 percent of its production to JLML and the products are marketed by JLML. The manufacturing facility is located in Kolkata. The product is Emoform - Tooth Paste (Swiss Brand, Owner is Dr. Wild & Co.) These products are purchased on P2P basis (only domestic) and JLML does the Marketing, Distribution and Sales and pays royalty on sales to Dr. Wild & co.

## Key Rating Drivers

### Strengths

- **Established presence of the group in personal and health care segment**

  J L Morison Group has been engaged in manufacturing and marketing of brands in the personal and health care segments for more than 7 decades. The Executive Chairman of the company, Mr. Raghu Mody is associated with JLML since 1987. He is a graduate from Cambridge University with more than 5 decades of experience as an industrialist with several decades of extensive and varied experience in setting up businesses in different kinds of industrial products. Mr. Mody is supported by Mr. Sohan Sarda who is the current Executive Director & CEO has around 2 decades of experience in the field of Accounts, Taxation and Finance.

  The extensive experience of the top management has helped the group maintain relationships with customers and suppliers over the years that is reflected in moderate operating margins which stood at 10.35 percent in FY2019 (Provisional) as against 9.64 per cent in FY2018 and 5.82 per cent in FY2017.

  Acuité believes the group will continue to benefit from the long standing experience of the top management and established industry relationships over the medium term.

- **Prudent capital structure resulting in healthy financial risk profile**
  Historically, J L Morison Group has been able to maintain a conservative financial risk profile marked by healthy net worth and low gearing. The net worth of group increased to Rs.222.35 crore as on March 31, 2019 (Provisional) as against Rs.235.13 crore in the previous year due to change in value of equity instruments. J L Morison Group has followed a conservative financial policy in the past, as reflected by its peak gearing of just 0.05 times over the last three years through 2017-19. The Total debt of Rs.11.50 crore as on March 31, 2019 (Provisional) includes Rs. 0.79 crore term loans from bank and Rs.10.71 crore of working capital borrowings. The amount of short term debt included Rs. 9.82 crore short term borrowing taken in LHL which has been repaid as on 31 May 2019. The gearing stood at 0.05 times as on 31 March, 2019 (Provisional) as compared to 0.01 times as on March 31, 2018. The Interest coverage ratio (ICR) stood healthy at 23.93 times for FY 2019 (Provisional). Debt/EBITDA stood healthy at 0.73 times for FY2019 (Provisional) as against 0.13 times for FY2018.

  Acuité believes the financial risk profile of the group will continue to remain healthy on account of conservative financial policy.

## Weaknesses

- **Moderate scale of operations**
  J L Morison Group has moderate scale of operations marked by turnover of Rs.93.73 crore in FY2019 (Provisional) as against Rs. 99.00 crore in FY2018 and Rs. 87.58 crore in FY2017. The decline in turnover is due to lower revenue from Metal Trading Division of Rasoi Limited. However, going forward, the focus of the group is likely to be on expanding operations in JLML's manufacturing division.

- **Highly competitive and fragmented Industry**
  J L Morison Group operates in a highly competitive and fragmented FMCG industry as 93 percent of revenues of the group in FY2019 (Provisional) are derived from this segment is being derived from Personal care products. This segment is categorized by presence of multiple players and brand consciousness of a large part of consumers. The segment is also susceptible to volatility in the economic scenario. However, the diversified product profile and established client relations of J L Morison Group mitigates this risk to some extent.

## Liquidity Position

J L Morison Group has adequate liquidity marked by healthy net cash accruals to nominal maturing debt obligations. J L Morison Group generated cash accruals of Rs. 11.83 crore to 16.92 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.0.01 to 0.14 crore over the same period. The cash accruals of the group are estimated to remain around Rs.14.87 to 15.83 crore during 2019-21 while its repayment obligation is estimated to be around Rs.0.33 crore per annum. The group's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 164 in FY2019 (Provisional). The group has lower reliance on working capital borrowings, as the cash credit limit remains utilized at 30 percent during the last 12 months period ended May 2019. The group maintains unencumbered cash and bank balances of Rs.18.87 crore as on March 31, 2019 (Provisional). The current ratio stands high at 4.17 times as on March 31, 2019 (Provisional).

Acuité believes that the liquidity of J L Morison Group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

## Outlook: Stable

Acuité believes that the group will maintain a stable outlook over the medium term owing to its established presence in the industry. The outlook may be revised to 'Positive' in case the group registers higher than expected revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected profitability margins and deterioration in the business risk profile.

## About the Rated Entity - Key Financials

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 93.73 | 99.00 | 87.58 |
| EBITDA | Rs. Cr. | 9.70 | 9.54 | 5.10 |
| PAT | Rs. Cr. | 7.17 | 13.21 | 13.18 |
| EBITDA Margin | (%) | 10.35 | 9.64 | 5.82 |
| PAT Margin | (%) | 7.64 | 13.35 | 15.05 |
| ROCE | (%) | 4.38 | 5.41 | 4.53 |
| Total Debt/Tangible Net Worth | Times | 0.05 | 0.01 | 0.01 |
| PBDIT/Interest | Times | 23.93 | 276.74 | 97.00 |
| Total Debt/PBDIT | Times | 0.73 | 0.13 | 0.12 |
| Gross Current Assets (Days) | Days | 164 | 70 | 164 |

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

Not applicable.

## 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
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-22.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 | 1.00 | ACUITE BBB+/Stable |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE A2 |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 12.81 | ACUITE A2 |

## Contacts

| Analytical | Rating Desk |
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**About Acuité Ratings & Research:**
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