

Press Release

J L Morison India Limited

August 20, 2020

Rating Withdrawn



| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 15.81 crore |
| Long Term Rating | ACUITE BBB+ (Withdrawn) |
| Short Term Rating | ACUITE A2 (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** and the **short term rating of 'ACUITE A2' (read as ACUITE A two)** on the Rs. 15.81.00 crore bank facilities of J L Morison India Limited (JLML).

The rating is being withdrawn on account of request received from the company and NOC received from the banker and based on confirmations received as per Acuite's policy.

Established in 1934, JLML has been engaged in marketing brands in the personal and health care segments for over 75 years. JLML also manufactures and distributes brands Emoform, Coty, Equal, Bigen and Beechams, to name a few. J L Morison also has its own range of brands called Morison, Baby Dreams, Zero Gravity, and Gentlemen. The company is managed by the current chairman Mr. Raghu Mody.

About the group companies:

West Bengal based, Rasoi Limited, is engaged in manufacturing baby care products and packing materials and also has metal trading and treasury and investment business. The manufacturing facility is located at Banganagar, West Bengal.

Leaders Healthcare Limited (LHL) was established in 1986 and is engaged in manufacturing of oral hygiene products. LHL supplies 100% of its production to JLML at arm's length and the products are marketed in 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).

Analytical Approach

Acuite 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 (JLM Group), to arrive at a rating. The consolidation is in view of common management, a similar line of business and various operational and financial synergies between the companies. Extent of consolidation: Full

Key Rating Drivers

Strengths

- Ongoing Long standing presence in the industry and experienced management**

JLM group has been engaged in the manufacturing and marketing of brands in the personal and health care segments for more than 75 years. Associated with JLML since 1987, Mr. Raghu Mody is the promoter of the group and is currently the Executive Chairman and a member of the Audit Committee and Stakeholders Relationship Committee of JLML. He is a graduate from Cambridge University with more than 52 years 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 Hansraj Sarda, who is the current Executive Director & CEO has 20 years of experience in the field of Accounts, Taxation and Finance. He is associated with the company since 2005. Mrs. Sakshi

Varunn Mody who is one of the non-executive directors is a Graduate from University of Virginia, USA with extensive experience, working in different types of media like print, television, online and Public relations. She has been associated with JLML since 2014. The extensive experience of the top management has helped the group maintain relationships with customers and suppliers over the years.

• **Prudent capital structure resulting in the 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 stood at Rs. 222.34 crore as on March 31, 2020 (Provisional). 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 2018-20. The total debt of Rs. 6.04 crore as on March 31, 2020 (Provisional) includes Rs. 0.51 crore term loans from bank and Rs. 5.52 crore of working capital borrowings. The gearing stood at 0.03 times as on 31 March, 2020 (Provisional) as compared to 0.05 times as on March 31, 2019. The Interest coverage ratio (ICR) stood healthy at 24.53 times for FY 2020 (Provisional). Debt/EBITDA stood healthy at 0.35 times for FY2020 (Provisional) as against 0.73 times for FY2019.

Weaknesses

• **Highly competitive and fragmented industry with high obsolescence risk**

JLM Group operates in a highly competitive and fragmented FMCG industry as majority turnover of the group which stood at ~93% in FY2020 (Provisional) is being derived from personal care products. This segment is categorized by the 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 JLM Group mitigates this risk to some extent.

Liquidity Position: Adequate

JLM Group has adequate liquidity marked by healthy net cash accruals to nominal maturing debt obligations. JLM Group generated cash accruals of Rs. 14.52 crore to 16.92 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.01 to 0.14 crore over the same period. Acuite believes that the liquidity of JLM Group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Material Covenants

None

Rating Sensitivities

Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 102.94 | 93.73 |
| PAT | Rs. Cr. | 10.44 | 7.17 |
| PAT Margin | (%) | 10.15 | 7.64 |
| Total Debt/Tangible Net Worth | Times | 0.03 | 0.05 |
| PBDIT/Interest | Times | 24.53 | 23.93 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|--------------------------------|
| 12-Jun-2019 | Cash Credit | Long Term | 1.00 | ACUITE BBB+/ Stable (Assigned) |
| | Letter of Credit | Short Term | 2.00 | ACUITE A2 (Assigned) |
| | Bank Guarantee | Short Term | 12.81 | ACUITE A2 (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 | 1.00 | ACUITE BBB+ (Withdrawn) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE A2 (Withdrawn) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 12.81 | ACUITE A2 (Withdrawn) |

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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