



**Press Release**  
**J B ECOTEX LIMITED (ERSTWHILE J B ECOTEX LLP)**  
**September 09, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	58.50	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	130.57	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	5.93	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	195.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs. 136.50 Cr. bank facilities of J B Ecotex Limited (Erstwhile J B Ecotex LLP) (JBEL). The outlook is '**Stable**'. Also, Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 58.50 Cr. bank facilities of J B Ecotex Limited (Erstwhile J B Ecotex LLP) (JBEL). The outlook is '**Stable**'.

**Rationale for rating**

The assigned and rating reaffirmation reflects the long track record of operations of the company along with experienced management. The rating further considers stable operating performance marked by range bound profitability, albeit marginal decline in revenue in FY2024(Prov) on account of lower price realizations. The revenue of the company moderated to Rs.523.81 Cr. in FY2024(Prov) from Rs.599.06 Cr. in FY2022. Further, the company incurred debt funded capex during FY2024 towards addition of new manufacturing unit for 'B2B granules manufacturing' and is going to incur another debt funded capex of ~Rs.26-28 Cr. in FY2025 towards installation of solar power plant. The addition of debt has led to moderation in the financial risk profile which, however, overall stood moderate with low gearing level, moderate debt coverage indicators and healthy network. Furthermore, the company has an efficient nature of working capital operations, however, the reliance on working capital limits remains high.

Going ahead, the ability of the company to increase its scale of operations with commencement of operations in the new facility and maintain its moderate financial risk profile along with efficient working capital operations will remain key monitorable.

### **About the Company**

Surat Based J B Ecotex Limited (Erstwhile J B Ecotex LLP) was incorporated in 2021. The company is manufacturer and exporter of high-quality Recycled Polyester Staple Fibre (RPSF), food-grade B2B rPET Granules (USRDA, ERSA & FSSAI Approved) & rPET Flakes. They enable the use of millions of used plastic bottles into superior-grade eco-friendly products. Currently Mr. Jitendrakumar Arya, Ms. Shreya Arya, Mr. Ayodhyaprasad Jugalkishore Singhal, Mr. Piyush Goenka, Mr. Vishal S Kejriwal, Mr. Anil Bhanwar Lal Goyal and Mr. Rajesh Ramniwas Gupta are the directors of the company.

## Unsupported Rating

Not Applicable

## Analytical Approach

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

## Key Rating Drivers

### Strengths

#### Established operations supported by experienced management

JBEL, which is a part of Jay Bharat Group and has been chaired by Mr. Jitendra Arya since 1985, started its business with the flagship firm Jay Bharat Dyeing and Printing Private Limited in the field of polyester textile dyeing and printing. The quality of the fabrics processed at Jay Bharat Dyeing & Printing, using the latest technology from India and abroad, brought immediate success to the group. The group has focused on penetrating deep into the core segments where it has operated. The group has expanded to cater to the requirements for other fabrics like cotton, viscose, PV, etc., and recently it has expanded the portfolio by entering into the manufacturing of yarns and yarn dyeing as well. The partners, Mr. Ramdas Jindal, Mr. Ayodhyaprasad J. Singhal, Mr. Himanshu S. Jariwala, and Mr. Jitendra Arya, have more than two decades of experience in the textile industry. The extensive experience of the partners has helped the company generate healthy relationships with its customers and suppliers in both domestic and global markets. Acuité believes that JBEL will continue to benefit from the partner's established presence in the textile industry.

#### Steady Operating Performance

The company's operating profit margins improved to 9.84% in FY2024(Prov) from 9.72% in FY2023. However, the revenue of the company moderated to Rs.523.81 Cr. in FY2024(Prov) from Rs.599.06 Cr. in FY2023, primarily on account of lower price realisations as overall the volumes stood in similar range.

Further, the company has recorded revenue of ~Rs.200.00 Cr. in 4MFY2025. Furthermore, the company has diversified and completed a capex for manufacturing of 'B2B Food Grade Granules' in July 2024 with an installed capacity of 21,600 MT/Annum.

Going ahead, the revenue is expected to increase on account of commencement of operations in the recently established facility.

#### Efficient working capital cycle

The working capital cycle is efficient marked by lower GCA of 80 days during FY2024(Prov.) and 54 days during FY2023. The inventory days stood stable at 27 days in FY24 (prov.) as against 22 days in FY23 and 23 in FY22. Further, the debtor days stood at around 50 days in FY24 (prov.) as against 31 days in FY23 and 44 days in FY22. The creditor days of the company stood at 68 days for FY24 (prov.) compared against 28 days for FY23 and 20 days in FY22. The average credit period received from its suppliers is around 15 days. The high level of payables in FY2024(Prov.) is on account of higher purchase of material during the year end. However, the reliance of working capital limits stood at high at 89% during the last 6 months ended August 2024. Going ahead, the working capital operations are expected to remain efficient in the near term.

### Weaknesses

#### Moderate financial risk profile

The financial risk profile of the company is moderate marked by healthy net worth, low gearing level and moderate debt protection metrics. The company's net worth increased to Rs. 165.24 Cr. as on March 31, 2024 (prov.) from Rs. 142.55 Cr. as on March 31, 2023 and Rs. 114.58 crore in March 31, 2022. The total debt of the company stood at Rs. 162.46 Cr. as on March 31, 2024 (prov.) as against Rs. 101.09 Cr. as on March 31, 2023 and Rs. 143.64 Cr. in March 31, 2022. The debt increased in FY24 (Prov.) as the company loaded additional debt to fund its capex. The debt profile of the company comprises of Rs. 23.46 Cr. of unsecured loans, term

loans of Rs. 72.98 Cr., CPLTD of Rs. 18.87 Cr. and the Rs.47.15 Cr. of short-term borrowings pertaining to working capital demand loan and cash credit facility as on March 31, 2024(Prov.). The capital structure of the entity remains moderate with the gearing of 0.98 times in FY24 (prov.) as against 0.71 times in FY23 (1.25 times in FY22). The debt protection metrics remained moderate as reflected with interest cost in FY2024 (prov.) and FY2023 as reflected by debt service coverage ratio of by 1.88 times in FY24 (prov.) as compared to 1.66 times in FY23 and 1.15 times in FY22. The interest service coverage ratio declined at 5.87 times in FY24 (prov.) compared to 6.61 times in FY23 and 3.38 times in FY22.

Going ahead, the company is expected to maintain its moderate financial risk profile over the medium term on the back of healthy accruals generation.

### **Competitive and fragmented industry**

JBEL operates in a highly fragmented and competitive industry marked by the presence of a large number of organised and unorganised players, mainly on account of low entry barriers. The firm is exposed to intense competition from both domestic players and established players in the overseas market.

### **Rating Sensitivities**

- Improvement in scale of operations while sustaining its profitability margins.
- Increase in total debt resulting in further deterioration of financial risk profile.
- Elongation in working capital cycle

### **Liquidity Position Adequate**

The liquidity position of the company remains adequate. The company generated net cash accruals of Rs. 35.77 crore in FY 24 (prov.) against 14.79 Cr. repayment obligation. The company had a cash balance of Rs. 0.93 Cr. as on March 31, 2024 (prov.). The current ratio stood average at 0.82 times in FY24 (prov.) as against 0.96 times in FY23 and 1.00 times in FY22. The reliance on working capital limits stood high at 89% over the past 6 months ending August 2024.

Going ahead, the liquidity position is expected to remain healthy on the back of healthy accrual generation.

### **Outlook: Stable**

Acuité believes that the company will maintain a 'stable' outlook over the near to medium term owing to its experienced management, established operations and recent capex which is expected to help the company to augment its scale of operations and profitability. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in scale of operations and profitability while improving its capital structure and maintaining efficient working capital operations. Conversely, the outlook may be revised to 'Negative' in case of lower than expected capacity utilisation leading to subdued growth in scale of operations or higher than anticipated debt levels leading to deterioration in financial risk profile, particularly its liquidity.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	523.81	599.06
PAT	Rs. Cr.	22.69	27.97
PAT Margin	(%)	4.33	4.67
Total Debt/Tangible Net Worth	Times	0.98	0.71
PBDIT/Interest	Times	5.87	6.61

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Jun 2023	Bank Guarantee (BLR)	Short Term	3.75	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	17.15	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	5.28	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	0.43	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	11.28	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	15.37	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	8.24	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	25.00	ACUITE BBB   Stable (Reaffirmed)
14 Mar 2022	Bank Guarantee/Letter of Guarantee	Short Term	3.75	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	29.97	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	8.80	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	16.51	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	1.18	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	26.29	ACUITE BBB   Stable (Reaffirmed)
11 May 2021	Cash Credit	Long Term	40.00	ACUITE BBB   Negative (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	26.29	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	16.51	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	1.18	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	29.97	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	8.80	ACUITE BBB   Negative (Reaffirmed)
		Short		

	Bank Guarantee (BLR)	Term	3.75	ACUITE A3+ (Reaffirmed)
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## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.93	ACUITE A3+   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB   Stable   Reaffirmed
Cosmos Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BBB   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	28 Jul 2018	Not avl. / Not appl.	01 Nov 2031	Simple	2.55	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	20 Jan 2023	Not avl. / Not appl.	01 Dec 2031	Simple	12.53	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	08 Nov 2023	Not avl. / Not appl.	01 Nov 2031	Simple	32.50	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	28 Jul 2018	Not avl. / Not appl.	01 Aug 2025	Simple	6.45	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	05 Feb 2024	Not avl. / Not appl.	01 Aug 2031	Simple	17.79	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	28 Dec 2023	Not avl. / Not appl.	01 Dec 2031	Simple	32.50	ACUITE BBB   Stable   Assigned
Bajaj Finance Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	Simple	13.75	ACUITE BBB   Stable   Assigned



Axis Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	11 Jan 2021	Not avl. / Not appl.	01 Jan 2026	Simple	1.25	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	11 Jan 2021	Not avl. / Not appl.	01 Jan 2026	Simple	4.75	ACUITE BBB   Stable   Assigned

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### About Acuité Ratings & Research

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