



SMERA RATINGS LIMITED

JB Plastochem Private Limited (JBPPL)

Rating Rationale

July 08, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.00	SMERA BB/Stable (Assigned)
Bill Discounting	1.00	SMERA A4+ (Assigned)
Letter of Credit	1.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.8.00 crore bank facilities of JB Plastochem Private Limited (JBPPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and healthy financial risk profile. However, the ratings are constrained by the company's high customer concentration risk and stretched working capital cycle.

JBPPL, incorporated in 2011, is a Jalgaon-based company engaged in the manufacturing and trading of PVC stabilizers, wood pallets, boxes and crates among others. The company is headed by Mr. Avinash Jain, Managing Director who has around 18 years of experience in the industry.

The company's financial risk profile is marked by healthy ROCE (Return on Capital Employed) of 24.37 per cent (provisional) as on March 31, 2015 and strong interest coverage ratio of 3.69 times in FY2014-15 (refers to financial year, April 01 to March 31). The company's healthy profitability is reflected in the operating profit margin of 8.34 per cent (provisional) and net profit margin of 3.93 per cent (provisional) in FY2014-15.

However, the company is exposed to high customer concentration risk as around 91 per cent of the total revenue in FY2015 has been generated from only one client - Jain Irrigation System Limited. This has reduced from 98 percent in FY2014. The debtor days are also high at 173 days in FY2015 registering a decline from 216 days in FY2014.

Outlook: Stable

SMERA believes that JBPPL will maintain its credit risk profile over the medium term, backed by its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company diversifies its customer base with growth in revenues while maintaining profitability. The outlook may be revised to 'Negative' in case of decline in revenue or elongated debtor days.

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About the Company

JBPPL, incorporated in 2011, is a Jalgaon-based company promoted by Mr. Avinash Jain. The company undertakes manufacturing and trading of PVC stabilizers, wood pallets, boxes and crates, corrugation boxes and plastic bags.

JBPPL reported profit after tax (PAT) of Rs.1.18 crore on operating income of Rs.33.61 crore for FY2013-14, as compared with PAT of Rs.1.28 crore on operating income of Rs.45.72 crore in FY2012-13. The company registered PAT of Rs.1.63 crore (provisional) on operating income of Rs.41.46 crore (provisional) for FY2014-15. JBPPL's net worth stood at Rs.5.43 crore as on March 31, 2014, as compared with Rs.3.24 crore a year earlier.

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