

JB Plastochem Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.00	SMERA BB/Negative (Rating Reaffirmed; revision in outlook from 'Stable')
Bill Discounting	1.00	SMERA A4+ (Reaffirmed)
Letter of Credit	1.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.8.00 crore bank facilities of JB Plastochem Private Limited (JBPPPL). The outlook is '**Negative**' revised from '**Stable**'.

The outlook revision reflects the decline in the company's operating income in FY2016 (provisional) as against the previous year. The revenues have declined from Rs.39.53 crore in FY2015 to Rs.32.07 crore in FY2016 (provisional). Besides, the company continues to be exposed to high customer concentration risk as it derives 80 per cent revenue from a single customer, Jain Irrigation System Limited. The rating also continues to be constrained by the working capital intensive business. However, the rating draws comfort from the experienced management, moderate scale of operations and average financial risk profile marked by modest net worth, comfortable gearing and coverage indicators.

Update

JBPPPL's scale of operations remains moderate marked by operating income of Rs.39.53 crore in FY2015. As per FY2016 (provisional), JBPPPL booked revenue of Rs.32.07 crore. The financial risk profile continues to remain average marked by moderate net worth of Rs.7.67 crore, comfortable gearing (Debt-equity ratio) of 0.85 times, interest coverage ratio (ICR) of 2.59 times and debt service coverage ratio (DSCR) of 1.89 times in FY2016 (Provisional).

However, the ratings are constrained by high customer concentration risk as the company generates 80 per cent revenue from Jain Irrigation Systems Limited. The company's operations are working capital intensive marked by high gross current asset days of 187 in FY2016 (Provisional) mainly due to high debtor days of 157 in FY2016 (provisional). The ratings also factor in the stretched liquidity position of the company as reflected in the full utilisation of bank limits through FY2016.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Diversified customer base

Outlook-Negative

SMERA believes that the outlook on JBPPPL will be '**Negative**' over the medium term due to decline in revenue. The ratings may be downgraded in case of further decline of the company's revenue and sustenance of the customer concentration. Conversely, the outlook may be revised to '**Stable**' in case the company registers significant improvement in revenue and profitability with diversified customer profile.

Criteria applied to arrive at the ratings:

- Manufacturing and Trading entities

About the Company

JBPL, incorporated in 2011, is a Maharashtra-based company promoted by Mr. Avinash Kantilal Jain, Mr. Kailash Hari Khairnar and Mrs. Heena Avinash Jain. The company is engaged in the manufacturing and trading of PVC stabilisers, wood pallets, boxes and crates among others.

For FY2014-15, JBPL registered profit after tax (PAT) of Rs.1.23 crore on operating income of Rs.39.53 crore, as compared with PAT of Rs.1.18 crore on operating of Rs.33.61 crore in FY2013-14.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
08 July, 2015	Cash Credit	6.00	SMERA BB (Assigned)	-	Stable
	Bill Discounting	1.00	-	SMERA A4+ (Assigned)	-
	Letter of Credit	1.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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