



Press Release

JPB Chemical Industries Private Limited

March 13, 2021

Ratings

Sr. No.	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund based facilities - Cash Credit	19.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
	Total	19.00	

**Details of Facilities are in Annexure 1.*

Detailed Rationale

The ratings assigned for the bank facilities of JPB Chemical Industries Pvt Ltd (the company) takes into account its long track record and experienced promoters, reputed customer base, moderate debt protection measures. These are partially offset by below Working capital intensive operations, susceptible to fluctuation in raw-material prices, Intense competition and fragmented Industry

Key Rating Sensitivities

- Upward Factors

- Growth in the revenue while maintaining profitability.
- Improvement in debt protection measures and liquidity

- Downward Factors

- Decline in profitability and deterioration in liquidity.
- Stretch in working capital operations resulting in deterioration of debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record and experienced promoters** - JPB Chemical Industries Pvt Ltd was incorporated in the year 1996. The company is promoted by Mr. Jitendra Gandhi



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along with Mr. Parag Gandhi & Mr. Hiten Gandhi who have more than 2 decades of extensive experience in this industry. Company has developed a diversified customer base that spans across pharmaceutical industry, paint industry, cosmetics, aromatics, food products and basic chemicals.

- **Reputed customer base** - Long presence in the industry has helped the company to maintain a stable business relationship with customers. These customers include well known listed companies that are one of the largest manufacturers in paint industry, pharmaceutical industry, cosmetics etc. Long relationship with such customers ensures stable demand and consistent growth in revenues in long term. The sales from top 5 clients of the company comprise of ~30% of the total sales generated by the company indicating a diversified client base.
- **Improved Profitability with moderate Financial risk profile** - The EBITDA margins have improved to 4% in FY2020 from 3.43% in FY2019 on account of reduction in the raw material costs and increased sales realization across its key product segment. Similarly, PAT margins improved from 1.32% in FY2019 to 1.54% in FY2020, driven by improvement in the operating margins. TOL/TNW of the company is consistently improved from 4.50x in FY2018 to 2.91x in FY2020 on account of scheduled debt repayments and closure of credit limits. Overall gearing ratio as well improved from 1.89x in FY2018 to 1.01x in FY2020. This is further assisted by improvement in current ratio from 1.12x in FY2018 to 1.22x in FY2020. DSCR is improved from 1.82x in FY2018 to 1.89x in FY2020. At present, debt protection measures involve only working capital limits.

B. Key Rating Weaknesses

- **Working capital intensive operations** - Business model of JCIPL involves making advanced payments to suppliers and supplying goods to customers on credit. This has resulted average collection period (days) of the company is consistently increased from 68 days in FY2018 to 138 days in FY2020. This has resulted in increase in operating cycle days of the company from 33 days in FY2018 to 56 days



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in FY2020. On account of the business model, with increase in total operating income, working capital cycle is likely to be further intensive in long term.

- **Intense competition and fragmented Industry**– The company operates in chemical compounds industry, which is marked by the presence of several mid to big size players in the organised as well as unorganised sector, which limits the pricing power of company. However, this risk is mitigated to an extent as the management has been operating in this industry for the last two decades.
- **Susceptible to fluctuation in raw-material prices** - Also, the company has a well-established network of suppliers. However, it is susceptible to changes in prices of the raw materials as any fluctuations in procurement cost could lead to a substantial change in its bottom-line owing to the fact that raw materials cost alone contributes around 92% of company's total cost of production.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Trading companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

JPB Chemical Industries Pvt Ltd maintains an adequate liquidity as reflected in its average fund-based utilisation levels of ~78.44% over the past 12 months period ended Dec 2020. Current ratio for FY2020 was 1.22x and quick ratio was 1.14x indicating adequate liquidity.

About the Company

JPB Chemical Industries Pvt Ltd is a Mumbai based company incorporated on 2nd May 1996. and is promoted by Mr. Jitendra Gandhi, Mr. Hiten Gandhi and Mr. Parag Gandhi. The company is involved in repackaging and trading/distribution of basic chemicals, pharmaceuticals, solvents, chemicals, intermediates, bulk drugs, food products, aromatics and agro-catering for last 32 years. For the activity of repackaging and trading/distribution,



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company has a godown at Bhiwandi (Thane). For solvent chemicals, the company has tanker storing facility up to 30,000 litres at Taloja. (Navi Mumbai).

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	153.43	130.90
EBITDA	5.26	5.23
PAT	2.03	2.02
Tangible Net worth	12.93	14.95
Adjusted Tangible Net worth	13.87	17.01
EBITDA Margin (%)	3.43	4.00
PAT Margin (%)	1.32	1.54
Overall Gearing Ratio (x)	1.37	1.01

*As per Infomerics Standards

Status of non-cooperation with previous CRA: India Ratings in their press Release dated on September 04, 2018 have classified the case under Issuer Not Cooperating on account of non-submission of relevant information

Any other information: Nil

Rating History for last three years:

Sr. No	Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	19.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	NA	NA	NA
Total			19.00				



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	19.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Total				19.00	