

Press Release

JMV Polymer Ltd.

December 17, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long term bank facilities (including proposed term loan of Rs. 1.16 crore)	23.00 <i>(Enhanced from Rs. 14.84 crore)</i>	IVR BB-/ Stable Outlook (IVR Double B Minus with Stable Outlook)	Reaffirmed
	Total	23.00		

Details of facilities are in Annexure 1

Rating Rationale

The rating assigned to the bank facilities of JMV Polymer Limited (JPL) continues to remain constrained by vulnerability of profitability to raw material price fluctuation risks, intense competition and high working capital requirements. The rating also factors in its leveraged capital structure. However, the reaffirmation of rating derives comfort from its experienced promoters, reputed clientele and stable demand for packaging products.

Key Rating Sensitivities:

Upward Rating Factor –

- Sharp growth in scale of operation on a sustained basis
- Improvement in the capital structure with reduction in overall gearing ratio to below 3x
- Efficient working capital management marked by improvement in the operating cycle

Downward Rating Factor –

- Sustenance of overall gearing over 5x
- Moderation in profit margin and cash accruals on a sustained basis

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive experience of the promoters in flexible plastic packaging business

JPL's promoters have an extensive experience, spanning over three decades, in the manufacturing of flexible packaging material.

Reputed clientele and established relations

The company caters to a wide range of industries like fast moving consumer goods, food and beverages etc. The clientele of the company includes various reputed names. With long standing presence of the promoters in the industry the company has developed a healthy relationship with its customers, which ensure repeat orders.

Stable demand for packaging industry

The future revenue growth of the packaging industry is expected to be supported by rise in income levels, expansion of organised retail sector, increase in rural penetration and the resultant increase in the market size of the food processing industry, the largest consumer of packaging products in the country.

Key Rating Weaknesses

Small scale of operation

The company has started its operation since August 2018 and recorded a total operating income of Rs. 17.37 crore indicating a small scale of operation. However the company exhibited a good growth in 7MFY2020 and achieved total operating income of Rs.40.0 crore during the aforesaid period.

Vulnerability of profitability to raw material price fluctuation risks

The primary raw material for the company is plastic granules which is a derivative of crude oil and its prices are volatile in line with crude oil prices. Thus, going forward, the ability of the company to pass on any adverse fluctuation in raw material prices to its customers remains critical.

Intense competition from both large and unorganised sector

The business environment remains competitive, given the fragmented and unorganised industry structure for the packaging industry. A large portion of the flexible packaging industry remains unorganised with few major organised players, thereby pressurising JPL's pricing flexibility.

High working capital requirement

The working capital requirement remains high owing to its elongated receivable period and high inventory requirement, resulting in a stretch in its liquidity profile as evident from its elongated operating cycle and highly utilised working capital limits.

Leveraged capital structure

The capital structure of the company remains leveraged with a gearing of 5.62 times as on March 31, 2019 due to its debt funded capex and stretched working capital cycle against a small net-worth base of the company. The debt funded capex done by the company in the past is expected to keep the capital structure and debt protection metrics stretched in the near to medium term.

Liquidity:

The company's liquidity position remains stretched as reflected by its fully utilised working capital limits covering a period of the last 12 months ended on July, 2019 and significant repayment obligations in the near to medium term as against tightly matched accruals.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

About the Company

Incorporated in 2018, JMV Polymer Ltd (JPL) was promoted by Mr. Jagdish Prasad Lakhotia of Kolkata, West Bengal. The company started its operations from August, 2018 and is engaged in manufacturing of flexible packaging items such as multi-layer LD film, laminates and shrink film which find application in a wide range of industries like FMCG, pharmaceuticals, etc.

Financials (Standalone)

(Rs. Crore)

For the year ended* / As On	31-03-2019
	Audited
Total Operating Income	17.37
EBITDA	3.67
PAT	0.63
Total Debt	29.66
Tangible Net worth	4.39
EBITDA Margin (%)	21.12
PAT Margin (%)	3.61
Overall Gearing Ratio (x)	6.76

* Classification as per Infomerics' standards

Any other information: N.A

Details of Non Cooperation with any other CRA:

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years			
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2019-20	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Long Term Fund Based - Cash Credit	Long term	17.00	IVR BB-/ Stable Outlook	IVR BB-/ Stable Outlook (12/06/2019)	-	-	-
Long Term Fund Based - Term Loan	Long term	4.84	IVR BB-/ Stable Outlook	IVR BB-/ Stable Outlook (12/06/2019)	-	-	-
Long term proposed facility – Proposed term loan	Long term	1.16	IVR BB-/ Stable Outlook	IVR BB-/ Stable Outlook (12/06/2019)	-	-	-
	Total	23.00					

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. 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 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/Outlook
Cash credit	-	-	-	17.00*	IVR BB- /Stable
Term loan I	-	-	March 2023	0.79^	IVR BB- /Stable
Term loan II	-	-	March 2023	0.92^	IVR BB- /Stable
Term loan III	-	-	March 2025	3.13^	IVR BB- /Stable
Proposed term loan	-	-	-	1.16**	IVR BB- /Stable

**Enhanced from Rs. 10.00 crore*

***Enhanced long term bank facilities*

^Outstanding as on October 31, 2019