

Jocil Limited (Revised)

October 06, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	40.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed; Outlook revised from Positive
Short Term Bank Facilities	18.00	CARE A2+ (A Two Plus)	Reaffirmed
Total Bank Facilities	58.00 (Rs. Fifty-Eight Crore Only)		
Fixed Deposit	-	-	Withdrawn
Total Short-Term Instruments	-	-	-

Details of instruments/facilities in Annexure-1

#The company has repaid the rated fixed (public) deposits in full, and the rating assigned to fixed deposit instrument stands withdrawn based on no due certificate received from company's auditor.

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Jocil Limited continue to remain underpinned by experienced promoters with long established track record of operations, stable operational and financial performance albeit decline in profitability margins in FY21 (refers to period between April 01 to March 31), healthy capital structure, comfortable coverage indicators, diversified revenue streams and benefits derived from captive power plants. The rating strengths are however partially offset by, volatile raw material prices, thin profitability margins, elongated operating cycle, exposure to government regulations, and fragmented industry with intense competition.

Rating Sensitivities**Positive Factors - Factors that could lead to positive rating action/upgrade:**

- ✓ Notable improvement in scale of operations and profitability by more than 30% y-o-y, on a sustained basis.
- ✓ Operating cycle shortening to less than 60 days, on a consistent basis

Negative Factors- Factors that could lead to negative rating action/downgrade:

- × Deterioration in capital structure with overall gearing above 0.25x
- × Any significant decline in total operating income or profitability.

Detailed description of the key rating drivers**Experienced promoter group and established track record:**

The company has more than four decades of experience in manufacturing stearic acid flakes, fatty acids, toilet soap, soap noodles and refined glycerine. Jocil belongs to a strong promoter group. Jocil is a subsidiary of The Andhra Sugars Limited (TASL) (holding 55.02% stake) which has an established business operation based in South India. Managing Director of Jocil, Mr. J. Murali Mohan has more than four decades of experience in the industry, the other directors of the company are also experienced and well qualified. The day to day operations of Jocil are supported by an experienced and professional team down the line.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Satisfactory operational and financial performance in FY21

The operational performance of the company improved in FY21 at the back of healthy demand from toilet soap industry. This positive demand has double effect on Jocil, as fatty acids which is major product of Jocil is the primary raw material for soap noodles. Volume of soap products improved by 12.59% in FY21 with a CU of 72.20% in FY21 (PY: 59.95%) at the back of increased demand for toilet soaps for better personal hygiene. The total operating income for the company has increased from Rs 451.80 crore in FY20 to Rs 566.63 crore in FY21 with a Y-o-Y growth rate of 25.42% at the back of healthy demand in the industry. During Q1FY22, company booked a TOI and PBILDT of Rs 168.51 crore and Rs 4.80 crore respectively.

Favourable capital structure coupled with strong coverage indicators:

The company has low or no reliance of bank limits. The capital structure of the company remains healthy with bank debt outstanding at zero as on March 31, 2021. The company has no long-term debt in its books. As on March 31, 2021, the company has outstanding fixed deposits of Rs 2.04 crore from shareholders. The overall gearing of the company remains favourable at 0.01x. (PY: 0.05x). Accordingly, PBILDT margin and TDGCA of the company remained healthy at 24.93x (PY: 23.96x) and 0.13x (PY:0.45x) during FY21.

Diversified revenue streams

Sales from Oleo chemicals (Fatty acids and Soap Noodles) is the major revenue contributor for Jocil. However, the company also derives sales from the sale of Wind power and surplus power from Bio gas plant. Fatty acids are the prime raw materials for producing soap noodles.

Benefits from captive power plant:

The company has a 6 MW biomass cogeneration captive power plant located within the factory premises at Dokiparru Village, Guntur to cater to its power requirements. Further, Jocil has four Wind Energy Generators (WEG), aggregating to 6.30 MW, located in the state of Tamil Nadu. Jocil has an existing long-term power purchase agreement (valid through 2026) with TANGEDCO (Tamil Nadu Generation and Distribution Corporation Limited) at an average tariff of Rs.2.85/unit.

Stable Industry Outlook:

The Company is engaged in the manufacture of Stearic Acid, Fatty Acids, Refined Glycerine, Soap Noodles, Toilet Soap, Industrial Oxygen and in the generation of Power from biomass and wind. Non-edible vegetable oils and fatty acid distillates, both indigenous and imported, are used as raw materials for the manufacture of the finished products. Raw material cost is a major component in the cost of production of fatty acids and soap products. International market prices of edible and non-edible oils highly influence the raw material prices in the domestic market.

Robust growth in India oleo chemicals market can be attributed to the increasing demand for naturally derived raw materials for personal care and soaps industry. Fatty acids control a lion's share in the India oleo chemicals market on account of large requirement for distilled fatty acids and polyunsaturated acids, which are essential in the production of soaps, personal care products, detergents, lubricants, surfactants, etc.

Liquidity: Strong

Strong liquidity marked by healthy accruals and no repayment obligations. The company has no capex plans and has sufficient gearing headroom to raise debt if needed. Liquidity is supported by un-utilised working capital limits, above unity current ratio and positive cash flows from operations.

Key Rating Weakness**Volatile raw material prices:**

Palm Stearin and Palm Fatty Acid Distillate (PFAD) are the major raw materials for manufacture of fatty acids and soaps. The raw materials used by Jocil are imported from Malaysia and Indonesia. There has been significant increase in the raw material prices during FY21 which resulted in decline in Jocil's profitability margins. Raw material prices usually fluctuate depending on the demand supply scenario and changes in the policy framework/custom structure by the exporting nations.

Low profitability margins:

Profitability margins marked by PBILDT margin for the company declined from 5.43% in FY20 to 3.91% in FY21 on account of the increased raw material cost. The company supplies to big FMCG giants like HUL, ITC etc and hence has limited bargaining power. Furthermore, given intense competition, the company cannot pass on the raw material price increase to its clients completely thereby resulting in low profitability margins.

Improved operating cycle, however stretched

During FY21, the operating cycle of the company remained elongated at 81 days albeit improved from 93 days in FY20 on account of marginal improvement in inventory holding period and creditor period. The company has to stock up sufficient raw material inventory as it offers various types and grades of oleo chemicals and soap products. Also, in view of fluctuating raw material prices, the inventory levels are normally high.

Exposure to various government regulations

As most of the raw materials used by Jocil are imported from Malaysia and Indonesia, any changes in the policy framework/custom structure by those nations would have a direct impact on the operation of Jocil. By-products generated of crude palm oil refineries viz., RBD Palm Stearine (RBDPS) and Palm Fatty Acid Distillate (PFAD) are the raw materials to the Company. The Malaysian and Indonesian government impose export duty varying from time to time on crude oil to encourage value addition within their country prior to exports. Further, fluctuation in crude oil (fossil) prices also have impact on edible and non-edible oils due to their usage in production of bio-fuels.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of ratings](#)

About the Company

Jocil Limited (Jocil) was incorporated in February 1978 as Andhra Pradesh Oil and Chemicals Limited which, later in 1992 was renamed as Jocil Limited. Jocil is primarily engaged in the manufacturing of fatty acids, stearic acid, refined glycerin, soap noodles, toilet soap and its by-products and industrial oxygen at its manufacturing facility in Doki parru village, Guntur district, Andhra Pradesh. The company also has a 6 MW biomass cogeneration captive power plant at the same premises. Further, Jocil has four Wind Energy Generators (WEG) in the state of Tamil Nadu, the power generated is sold to Tamil Nadu Generation & Distribution Corporation Ltd (TANGEDCO). Jocil Limited is listed on National Stock Exchange (NSE), India.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)
Total operating income	451.80	566.63
PBILDT	24.54	22.16
PAT	12.49	13.61
Overall gearing (times)	0.05	0.01
Interest coverage (times)	23.96	24.93

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Disclosure of Interest of Independent/Non-Executive Directors of CARE: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	18.00	CARE A2+
Fixed Deposit		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	40.00	CARE A-; Stable	-	1)CARE A-; Positive (11-Nov-20)	1)CARE A-; Stable (26-Nov-19)	1)CARE A-; Negative (28-Dec-18)
2	Non-fund-based - ST-BG/LC	ST	18.00	CARE A2+	-	1)CARE A2+ (11-Nov-20)	1)CARE A2 (26-Nov-19)	1)CARE A2 (28-Dec-18)
3	Fixed Deposit	ST	-	-	-	1)CARE A2+ (FD) (11-Nov-20)	1)CARE A2 (FD) (26-Nov-19)	1)CARE A2 (FD) (28-Dec-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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