Jay bee Laminations Limited

April 23,2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	20.00	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	35.00	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Jay bee Laminations Limited (JBLL) derives strength from extensive experience of the promoters with long track record of operations of over four decades in the industry and established relationship with customer and suppliers. The ratings also take comfort from the growing scale of operations with improvement in profitability margins over the past 3 years and comfortable debt coverage indicators. These rating strengths are, however, partially offset by moderately leveraged capital structure and working capital intensive nature of operations. The ratings are also constrained by the susceptibility of profitability margins to volatility in raw material prices and foreign exchange rates and cyclicality in the end user industry.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Expansion in scale of operations above Rs. 300 crores while maintaining the PBILDT margins above 10% and improving the working capital cycle with gross current asset days below 100 days on a sustained basis.
- Improvement in overall gearing ratio below 1.00x on a sustained basis.

Negative factors

- Decline in scale of operations below Rs. 200 crores along with decline in PBILDT margin below 5% on sustained basis.
- Increase in debt levels leading to deterioration in overall gearing above 1.75x on sustained basis.
- Significant increase in working capital requirement and resultant weakening of liquidity position.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE's opinion that JBLL will continue to benefit from its experienced promoters and established relations with its customers and suppliers.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters and management with long track record of operations

JBLL has over four decades of track record in the CRGO Silicon steel cores business. The company has started its operation in year 1988 into the manufacturing of CRGO Silicon steel cores for the power & distribution transformer industry and currently the company has two-manufacturing units in Noida. The extensive experience of promoters in the industry and long operational track record of the company has helped the company to build its market presence over the years.

Established relationships with customers and suppliers.

JBLL's strength lies in its expertise in sourcing raw material and supply chain management. The company has well-established and strong relationship with cold rolled grain oriented (CRGO) steel players present in both national and international market, which helps the company in efficient procurement of raw materials. The company has a geographically diversified customer base in countries besides India, such as Saudi Arabia, and Nepal.

Growing scale of operations with improvement in profitability margins over the past 3 years

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The scale of operations of the company has grown with JBLL reporting total operating income of Rs. 247.59 crore during FY23 (refers to the period April 01 to March 31) as against Rs. 141.78 crore in FY22 and Rs.75.03 crore in FY21. The PBILDT margin of the company also witnessed improvement to 9.82% during FY23 as against 8.95% in FY22. The company further reported PBILDT margins of 11.03% on a total operating income of Rs. 230.67 crore during 9MFY24 (refers to the period April 01to December 31). Going forward, JBLL is expected to sustain PBILDT margins in the range of 10-11% on a growing revenue base in view of growing demand in the industry.

Key weaknesses

Moderate financial risk profile:
The overall financial risk profile of the company remained moderate characterized by improvement in overall gearing and debt coverage indicators. However, the overall gearing though improved, stood moderately high at 1.40x as on March 31, 2023, as against 2.03x as on March 31, 2022. The interest coverage ratio also improved and stood 4.85x during FY23 (PY: 3.02x) owing to improvement in profitability margins. Further, the total debt to PBILDT improved marginally to 2.52x in FY23 from 4.91x in FY22, total debt to GCA improved and stood at 4.39x as on March 31, 2023 (PY:9.09x) on account of decrease in total debt.

Vulnerability of profitability to volatility in raw material prices and foreign exchange rates:
The operating margins of the company remain susceptible to the volatility in price of the raw material. The raw material is generally imported and takes 2-3 months to deliver, and the company maintains moderate inventory and hence any fluctuation in raw material prices may impact the operating margins. Further, since a part of the raw material requirement is met through imports, the company is exposed to the adverse fluctuations in the foreign currency exchange rates.

Large working capital requirement: JBLL has working capital intensive operations largely on account of moderate debtors and inventory period required for business operations, while the company receives minimal credit from its suppliers and most of the procurement is done on letter of credit basis which lead to increase in working capital requirement by the company. The Gross Current Asset though decreased, however still stood high at the level 151 days as on March 31, 2023 against 230 days as on March 31,2022.

Liquidity: Adequate

Liquidity is adequate marked by expected accruals of ~Rs. 20.76 crore during FY24. The company has scheduled repayment obligations of Rs. 4.48 crores and Rs. 5.53 crore for FY24 and FY25 respectively. The company's average month end utilization of fund based for the past 12 months ending January 31, 2024, stood at ~48.24%. JBLL uses NFB limits for procurement of raw materials. The non-fund based working capital limits utilisation stood high at 90.29% for the trailing 12 months ended January 31, 2024.

Environment, social, and governance (ESG) risks: Not Available

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Other Industrial Products

Jay Bee Laminations Limited (JBLL) incorporated in March 1988, was promoted by Mr. Munish Kumar Aggarwal and presently is being managed by his son Mr. Mudit Aggarwal, Managing Director of the company and supported by Mr. Sunita Aggarwal (Director). The company is engaged in manufacturing of CRGO Silicon steel cores for the power & distribution transformer industry. With two manufacturing units located in Noida (UP). The company have developed facilities for supply of CRGO & CRNGO steel cores with applications in transformers, inverters, reactors & rectifiers.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	141.78	247.59	230.67
PBILDT	12.70	24.31	25.46
PAT	5.79	12.97	15.00
Overall gearing (times)	2.03	1.40	NA
Interest coverage (times)	3.02	4.85	5.60

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork Ratings and Acuite Rating has conducted the review and has maintained the ratings as "Not Cooperating" vide their press releases dated October 11, 2023, and January 31, 2023, respectively on account of their inability to carry out a review in the absence of requisite information.

Any other information: Not Applicable.

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	20.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-Letter of Credit	-	-	-	-	35.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT*	20.00	CARE BBB-; Stable	-	-	-	-

2	Non-fund-based - LT/ ST- Letter of Credit	LT/ST*	35.00	CARE BBB-; Stable / CARE A3	-	-	-	-

*LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable.

Annexure-4: Complexity level of the various instruments rated.

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST- Letter of Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

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About us:
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