JR Fibre Glass Industries Private Limited

August 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	7.87 (Reduced from 8.32)	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	13.50	CARE BB-; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of JR Fibre Glass Industries Private Limited continue to be constrained by the small and fluctuating scale of operations, moderate profit margins, weak debt coverage indicators and highly working capital-intensive nature of operations. The ratings further continue to be constrained by company's presence in highly competitive & fragmented nature of industry.

The ratings, however, continues to derive strength from experienced and qualified promoters with long track record of operations and reputed customer base and comfortable capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations with total operating income (TOI) exceeding Rs. 35.00 crore on sustained basis.
- Improvement in PBILDT margin exceeding 8% on a sustained basis.
- Improvement in the total debt / gross cash accruals (GCA) below 5x on a sustained basis.

Negative factors

- Deterioration in capital structure with overall gearing exceeding 1.0x on sustained basis.
- Elongation in collection period beyond 150 days leading to deterioration in liquidity profile of the company.

Analytical approach: Standalone

Outlook: Stable

The "stable" outlook on the long-term ratings reflects CARE Ratings belief that the company will continue to benefit from its experience of the promoters along with long term relationship with reputed customers, efficient management of working capital cycle and sustainable financial risk profile.

Detailed description of the key rating drivers:

Key weaknesses

Small Scale of Operations

The scale of operations of the company remained small and fluctuating during past five years ended FY24, owing to tender driven nature of operations. The TOI improved marginally by 5.11% and stood at Rs. 28.61 crore in FY24 vis-à-vis Rs. 27.22 crore in FY23. The improvement in TOI was due to an increase in the number of turn-key projects executed during the year. Further, the company has achieved net sales of about Rs. 10.50 crores in 4MFY24 and has unexecuted orders of around Rs. 27.93 crores as on crores as on June 20, 2023, hence deriving short to medium term revenue visibility.

The small scale limits its financial flexibility and its capability to scale up the operations in future. Hence, ability of the company to increase the scale of operations along with accretion of profits in the business thereby increasing the net worth base is critical from the credit prospects of the company.

Continuous deterioration in the profitability margins

The PBILDT margin of the company remained in the range of 6.62% to 8.81% during FY21 to FY24 and the same has continuously deteriorated over the given periods. The PBILDT margin deteriorated marginally to 6.62% in FY24 vis-à-vis 6.85% in FY23 primarily due to slight increase in the RMC cost during the year. In line with the same, PAT margin also deteriorated marginally to 1.49% in FY24 from 1.90% in FY23, owing to slight increase in interest costs. The profit margin stood relatively lower marked by return on capital employed stood at 6.36% in FY24 vis-à-vis 5.79% in FY23.

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

Weak Debt Coverage Indicators
The debt coverage indicators of JRFPL stood moderate on account of lower debt levels. The total debt to GCA improved from 9.28 times in FY23 to 6.64 times in FY24 due to lower utilization of its working capital limits as on balance sheet date. However, the interest coverage ratio deteriorated to 1.81 times in FY24 as against 2.03 times in FY23 due to higher interest costs incurred during the year.

Highly Working Capital-Intensive Nature of Operations
The overall operations of the company remained highly working capital intensive marked by higher gross current assets period of 278 days in FY24 (vis-à-vis 320 days in FY23) on account of funds being blocked in receivables and inventory. JRFPL provides a credit period of up to 90-120 days to its customers. The collection period improved marginally and stood elongated at 89 days in FY24 vis-à-vis 102 days in FY23 on the back of faster recovery from debtors. As 60% of the revenue comes from turnkey based solution projects, repayment is done on milestone basis after instalment and sufficient testing. The debtors outstanding as on March 31, 2024, amounting to Rs. 7.51 crore, with debtors aged for more than 120 days of Rs. 2.17 crores.
JRFPL has high inventory level due to the company's vast product profile. Moreover, given the bulk level of inventory required to be maintained amidst the regular order inflows and in anticipation of the future order receipts, inventory holding remains on higher side. Although, inventory period has improved and stood at 194 days in FY24 (vis-à-vis 223 days in FY23).
On the other hand, the creditors period stood relatively low and the same have reduced to 53 days in FY24 (vis-à-vis 72 days in FY23). Owing to above mentioned scenario, the working capital cycle remained stretched, although, improved to 230 days in FY24 (vis-à-vis 252 days in FY23). The average of the maximum utilization of the working capital limits stood at 78.08% for past twelve months ended May 2024.

Key strengths

Vast experience of promoters and management team
JRFPL is currently managed by Mr. Jitendra Thakkar, Mrs. Parul Thakkar and Mr. Chirag Thakkar. Mr. Jitendra Thakkar (Mechanical Engineer, VJTI) had experience of over 45 years through his association with JRFPL since the incorporation and is now the non-executive director of the company. On the other hand, Mrs. Parul Thakkar (B.S.C) holds total experience of over 30 years in the same line of business, whereas Mr. Chirag Thakkar [MS (Buffalo University, USA) and Chemical Engineer (Institute of Chemical Technology)] having experience of over 10 years, is engaged in the overall marketing management and many other business operations of the company. The directors are supported by experienced and qualified second line of management who is technically qualified and having experience in the same field.
JRFPL possesses an established track record in the air pollution control equipment industry. Over the years of its existence the directors have developed established relations with reputed customers viz. Exide Industries Limited, Sterlite Industries India Limited, JSW Steel Limited and others and receive repeat orders from them.

Comfortable capital structure
The overall gearing of the company improved and remained comfortable at 0.25 times as on March 31, 2024, vis-à-vis 0.40 times as on March 31, 2023. The improvement in the same was on the back of decrease in utilization of working capital limits as on balance sheet date. The improvement in overall gearing was significant when compared to FY21 levels, where it stood at 1.28x. This was done by concerting unsecured loans to equity in FY22. Further, equity infusion amounting to Rs. 0.50 crore was also undertaken in FY22 in form of equity share capital amounting to Rs. 0.12 crore, Rs. 0.38 crore in form of compulsorily convertible preference shares (CCPS) and balance of Rs. 7.50 crores in form of security premium.

Strong Relationship with reputed clients
JRFPL manufactures products as well as provide turn-key solutions to several reputed clients. The company was able to garner such a reputed client base due to its ability to manufacture products as per individual requirements. The company has had repeated orders from Navin Fluorine, Grasim India, Exide Industries Limited, Sterlite Industries India Limited and Birla Cellusic.

Liquidity: Stretched

The liquidity position of JRFIPL is marked by sufficient cash accruals for principal debt repayment obligations of Rs. 0.23 crores in FY25 and Rs. 0.18 crores in FY26. Further, the current ratio and quick ratio stood at 1.82 times and 0.93 times respectively as on March 31, 2024 (vis-à-vis 1.86 times and 0.68 times respectively as on March 31, 2023). The cash and bank balance stood at Rs. 3.25 crores as on March 31, 2024, as against Rs. 0.16 crores as on March 31, 2023.
The working capital requirements were met by a credit facility of Rs. 7.40 crores. The cash flow from operations (CFO) also improved and stood positive at Rs. 7.23 crores in FY24 (vis-à-vis Rs. 2.23 crores in FY23) owing to decrease in inventory level coupled with increase in creditors and advances from customers. Although, the utilization of cash credit facility stood moderate with average utilization stood at 66.74% and maximum average utilization at 78.08% for the past twelve months ended May 31, 2024.

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

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	Aluminium, Copper & Zinc Products

JR Fibreglass Private Limited (JRFPL) was incorporated in the year 1983 by the Thakkar family. FRFPL is engaged in manufacturing and installing of air pollution control equipment on a turnkey basis and Fibreglass Reinforced Plastics (FRP)/ Glass Reinforced Plastics (GRP) Fabrication equipment, wherein the products cater to the chemical, metallurgical, petrochemical, automotive and pharmaceutical industry.
The product range of air pollution control equipment includes Fume Extraction & Scrubbing Systems, Dust Extraction or De-Dusting Systems, Thermal (HAPs) whereas the FRP/ GRP fabrication equipment comprises of product range of Storage Tanks & Reaction Vessels, Pipes, Ducts & Stack, Centrifugal Fans and Blowers, Scrubbers etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	July 31, 2024 (P)
Total operating income	27.22	28.61	10.50
PBILDT	1.86	1.89	NA
PAT	0.52	0.43	NA
Overall gearing (times)	0.40	0.25	NA
Interest coverage (times)	2.03	1.81	NA

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

Status of non-cooperation with previous CRA: Not Applicable

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		-	-	-	7.40	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	2027	0.47	CARE BB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	13.50	CARE BB-; Stable / CARE A4

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	7.40	CARE BB-; Stable	-	1)CARE BB-; Stable (02-Aug-23) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (31-May-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (30-May-22)	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	13.50	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (02-Aug-23) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (31-May-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (30-May-22)	-
3	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (02-Aug-23) 2)CARE A4; ISSUER NOT COOPERATING* (31-May-23)	1)CARE A4; ISSUER NOT COOPERATING* (30-May-22)	-

4	Fund-based - LT-Term Loan	LT	0.47	CARE BB-; Stable	-	1)CARE BB-; Stable (02-Aug-23)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short 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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Akhil Goyal Director **CARE Ratings Limited** Phone: +91-22-6754 3590 E-mail: akhil.goyal@careedge.in Ashish Kambli Associate Director **CARE Ratings Limited** Phone: +91-22-6754 3597 E-mail: Ashish.k@careedge.in Pranay Nighukar Rating Analyst **CARE Ratings Limited** E-mail: Pranay.Nighukar@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**