

## Jay Balaji Packers

March 05, 2025

| Facilities/Instruments    | Amount (₹ crore) | Rating <sup>1</sup> | Rating Action |
|---------------------------|------------------|---------------------|---------------|
| Long Term Bank Facilities | 8.65             | CARE BB-; Stable    | Assigned      |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to the bank facilities of Jay Balaji Packers (JBP) remains constrained on account of limited scale of operations and profitability, leveraged capital structure and moderate debt coverage indicators and stretched liquidity. Ratings, also factor presence in competitive paper industry with susceptibility of profitability to volatility in raw material prices and sole proprietorship constitution of firm.

Ratings, however, continue to derive strength from experienced promoter in the paper industry, reputed clientele and close proximity to raw material sources.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations marked by Total Operating Income (TOI) of Rs.50 crore or more with sustaining operating profit margins

#### Negative factors

- Decline in TOI by 20% or more along with dip in Gross Cash Accruals (GCA).
- Higher than envisaged debt level leading to deterioration in capital structure than current level.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectations that the firm will continue to benefit from the vast experience of its promoters and is likely to sustain its overall moderate financial risk profile marked by moderate scale of operation and profitability margins.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Limited scale of operation and moderate profitability

TOI of the firm has remained moderate in the range of Rs.20-25 cr. for last five years ended FY24. The TOI of the firm stood moderate at Rs.19.74 cr. in FY24 as compared to Rs.25.87 cr. in FY23. Further, it registered scale of Rs.13.17 cr. in 8MFY25 and envisaged scale is of Rs.22 cr. for FY25. Operating margin of the firm remains moderate at 12.86% in FY24 (improved from 9.69% in FY23) with decline in raw material cost. Overall firm reported largely stable cash accruals of Rs.1.43 cr. in FY24 (Rs.1.52 cr. in FY23).

##### Leverage capital structure and moderate debt coverage indicators

The capital structure of JBP, remained leverage marked by overall gearing of 2.83 times as on March 31, 2024, as against 2.77 times as on March 31, 2023. Debt coverage indicators remained moderate marked by total debt to GCA (TDGCA) and PBILDT interest coverage of 8.34x (FY23: 8.68x) and 2.27x (FY23: 2.51x) in FY24. Total debt to PBILDT remained moderate at 4.69x in FY24 (FY23: 5.27x).

##### Presence in competitive paper industry with susceptibility of profitability to volatility in raw material prices

The firm manufactures corrugated boxes from kraft paper which it procures domestically, the prices of which are highly volatile. Thus, operating margin remains susceptible to any sharp fluctuations in raw material prices. JBP is able to pass on changes in raw material prices but with a delay.

##### Constitution as a proprietorship concern with risk of withdrawal of capital

Proprietorship nature of business has an inherent risk of withdrawal of capital by the proprietor at the time of his personal contingency resulting in reduction of capital base leading to adverse effect on capital structure. Furthermore, proprietorship firms

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders. PE, being a proprietorship firm, is exposed to inherent risk of the proprietorship's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the proprietor.

## Key strengths

### Experienced promoters with established track record of operations

JBP was promoted by Mr. Manish Parikh, who is the sole owner of the firm. He has 33 years of experience in this industry. Further, he has team of experienced professionals down the line. Further, the promoters are resourceful and have been infusing funds in the form of unsecured loans into the firm as and when required, unsecured loans stood at Rs. 2.21 crore as on March 31, 2024.

### Close Proximity to raw material sources

The manufacturing facility is in Vapi, the industrial hub of Gujarat. The location also provides proximity to source raw materials with smooth supply at competitive price and lower logistic expenditure (both on the transportation and storage). It enjoys good road, rail connectivity leading to better lead time and facilitating delivery of finished products in a timely manner.

### Liquidity: Stretched

The Liquidity position of the firm is stretched marked by low cash accruals and high dependence on working capital bank borrowing and moderate liquidity ratios. Average utilization of the fund-based limits remains around 90% for past 12 months ended January 30, 2025, as indicated by the lender. JBP's cash and bank balance remained low at Rs.0.35 cr. as on March 31, 2024. Operating cycle remains moderate at 22 days in FY24 as against 28 days in FY23. However, firm's envisaged cash accruals are sufficient to meet its debt repayment obligations.

## Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Paper & Paper Products](#)

[Financial Ratios – Non financial Sector](#)

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector        | Industry            | Basic industry |
|-------------------------|---------------|---------------------|----------------|
| Industrials             | Capital Goods | Industrial Products | Packaging      |

Vapi based Jay Balaji Packers (JBP) is proprietorship firm and was incorporated in 2006 by Mr. Manish Parikh. It is engaged into manufacturing of Corrugated Boxes. JBP had commenced operations from 2016 and has installed capacity of 800 tons per month. JBP's sole manufacturing facility is located at Vapi, Gujarat.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 8MFY25 (Prov.) |
|----------------------------|--------------------|--------------------|----------------|
| Total operating income     | 25.87              | 19.74              | 13.17          |
| PBILDT                     | 2.51               | 2.54               | 1.12           |
| PAT                        | 0.66               | 0.62               | 0.25           |
| Overall gearing (times)    | 2.77               | 2.83               | NA             |
| Interest coverage (times)  | 2.51               | 2.27               | 1.42           |

A: Audited, Prov.: Provisional, NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook |
|-----------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Cash Credit |      | -                             | -               | -                          | 4.95                        | CARE BB-; Stable                   |
| Term Loan-Long Term         |      | -                             | -               | 30-June-2038               | 3.70                        | CARE BB-; Stable                   |

#### Annexure-2: Rating history for 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       | Term Loan-Long Term                    | LT              | 3.70                         | CARE BB-; Stable |   |   |   |   |
| 2       | Fund-based - LT-Cash Credit            | LT              | 4.95                         | CARE BB-; Stable |   |   |   |   |

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

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

#### Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument      | Complexity Level |
|---------|-----------------------------|------------------|
| 1       | Fund-based - LT-Cash Credit | Simple           |
| 2       | Term Loan-Long Term         | Simple           |

#### Annexure-5: Lender details

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

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

## Contact Us

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### About us:

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