

## D. Jamnadas And Company

April 30, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	1.50	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Short Term Bank Facilities	5.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>6.50</b> <b>(Rs. Six Crore and Fifty</b> <b>Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 19, 2020, placed the rating(s) of D. Jamnadas And Company (DJAC) under the 'issuer non-cooperating' category as DJAC had failed to provide information for monitoring of the rating. DJAC continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated February 22, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

The revision in the long-term rating factors in the non-cooperation by DJAC and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

### Detailed description of the key rating drivers

*At the time of last rating on March 19, 2020 the following were the rating strengths and weaknesses:*

### Detailed description of Key rating drivers

#### Key rating Weakness

**Moderate scale of operations and relatively low net-worth base:** DIAC's scale of operations improved marginally by 2.93% and stood at Rs.42.14 crore in FY18 (vis-à-vis Rs.40.94 crore in FY17) owing to higher demand received from existing customers coupled with addition of new customers. Furthermore, during 10MFY19 (period refers from April 01, 2018 to January 31, 2019) the firm achieved a turnover of Rs.26.05 crore. Nevertheless, the scale of operations continued to remain at moderate level. Further the tangible networth of the firm stood moderated at Rs.3.72 crore in FY18 (vis-à-vis Rs.4.17 crore in FY17).

**Fluctuating profit margins coupled with net losses during FY18:** Due to the trading nature of the business, the firm has historically earned low profitability margins. DJAC's PBILDT margin reflected fluctuating trend in the range of 1.25% to 3.12% during last four years ended as on March 31, 2018 on account of volatility in the traded good prices (i.e. chemicals) and forex rates. Furthermore, owing to above coupled with higher interest and finance charges the firm posted net loss of Rs.0.33 crore in FY18 as against PAT of Rs.0.41 crore in FY17.

**Weak debt coverage indicators:** The debt coverage indicator of the firm has deteriorated and remained weak owing to cash losses in FY18. Further owing to high interest cost and marginal reduction in operating margin, interest coverage also remained weak at 0.67x times in FY18 (vis-à-vis 1.51x times in FY17).

**Working capital intensive nature of operation:** DJAC's business operations are working capital intensive with funds blocked in debtors and inventory. Owing to its association with reputed customers it has low bargaining power against the customers and thus the firm grants credit period of around 60-90 days. Further it has to maintain inventory of around 30-60 days to meet the timely needs of the customers As a result of this the operating cycle of the firm remained at 33 days in FY18 (vis-à-vis 33 days in FY17) resulting in full utilization of the working capital limit for past twelve month ended as on January 31, 2019.

**Foreign exchange fluctuation risk & volatile prices of traded material:** The firm imports around 64% of total purchases in FY18 (vis-à-vis around 45% of total purchase in FY17) from China, Korea and Taiwan and rest is sourced from domestic market. Further the firm has posted foreign exchanged of Rs.0.20 crore in FY17 (vis-à-vis Rs.0.04 crore in FY17). The prices of the traded chemicals have been volatile during the past four years with DJAC's limited ability to completely pass on the cost to its customers has also resulted in decline in profit margins

**Highly competitive and fragmented industry:** Chemical trading industry is a highly fragmented industry with the top five players accounting for only 30% of the market and remaining from the unorganized players (around 880 manufacturers) which have led to high competition in the industry. The firm faces competition from few large players as well as numerous players in the unorganized segment. Also on account of its trading nature of business, the entry barriers are low leading to stiff competition for the firm.

**Constitution of the entity as proprietorship firm:** Being a proprietorship firm, DJAC has inherent risk of withdrawal of partners' capital at the time of personal contingency. Furthermore, it has restricted access to external borrowings where net worth as well as creditworthiness of the partner are the key factors affecting credit decision of the lenders. Hence, limited funding avenues along with limited financial flexibility have resulted in small scale of operations for the firm.

### Key rating Strengths

**Experienced and resourceful promoters and their financial support:** DJAC is family business established by Mr. Jamnadas Naranji Shanghvi in 1939 and in the year 1958 his son Mr. Dhirajlal Shangavi took the charge of the firm. Promoters have an average experience of more than three decades in the field of trading of chemicals. Further to support growing scale of operations directors have infused owns capital continuously in form of unsecured loan.

**Long track record and reputed clientele base:** DJAC is in existence for more than seven decades and carry out its activity in trading of chemical which find application mainly to pharmaceutical industries in India. Over the years the promoters have developed strong business relations with reputed customers. The aforementioned has helped DJAC to generate sizable income over the past four years ending March 31, 2018.

**Comfortable capital structure:** The capital structure has improved marked by overall gearing stood at 0.75x times in FY18 (vis-à-vis 1.12x times in FY17) on account of treatment of unsecured loans from related parties amounting to Rs.3.00 crore as quasi-equity as per the terms of bank sanction letter which has resulted in reduction in debt, despite net losses amounting to Rs.0.33 crore has incurred by the firm during FY18 coupled with withdrawal of Rs.0.12 crore by the promoter from the business. However capital structure remained at comfortable level on account of low reliance on external borrowings.

**Liquidity position – Stretched:** The liquidity position of the DJAC remained stretched marked by tightly matched accruals to repayment obligations, highly utilized bank limits and low cash balance of Rs.0.69 crore as on March 31, 2018. Further current ratio remains at 1.34x times and quick ratio remains at 1.06x times during FY18. Further the investment in net working capital as a percentage of total capital employed stood at 88.55% as on March 31, 2018 whereas the net cash flow from operating activity stood positive at Rs.1.91 crore during FY18.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on default recognition](#)

[Rating Methodology - Wholesale Trading](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

### About the Company

Established in the year 1939, D. Jamnadas and Company (DJAC) is proprietorship was started by Mr. Jamnadas Naranji Shanghvi and in the year 1958 his son Mr. Dhirajlal Shangavi took the charge of the firm. DJAC is engaged into trading of chemicals viz. Butyl Acrylate Monomer (BAM), Methyl acrylate (MA), Acrylic acid (AA), plastic reagents etc. which finds application in pharmaceutical industry. DJAC has head office located at Masjid Bundar and four godowns at Bhiwandi (rented). It imports (around 70% of total purchases) from China, Korea and Taiwan and rest is sourced from domestic market. Further it generates entire revenue from domestic market. The firm has an established relationship with reputed clientele.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total Operating Income	40.94	42.14
PBILD	1.28	0.64
PAT	0.41	-0.33
Overall Gearing (times)	1.12	0.75
Interest coverage (times)	1.51	0.67

A: Audited

**Status of non-cooperation with previous CRA:** CRISIL has continued to put the rating of D. Jamnadas and Co. under Issuer Not Cooperating\* vide its press release dated April 16, 2020.

**Any other information:** Not Applicable

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

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	1.50	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC	-	-	-	5.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

#### 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-Bank Overdraft	LT	1.50	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (19-Mar-20)	1)CARE B; Stable (25-Feb-19)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	-	1)Withdrawn (25-Feb-19)
3.	Non-fund-based - ST-ILC/FLC	ST	5.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (19-Mar-20)	1)CARE A4 (25-Feb-19)

\*Issuer did not cooperate; Based on best available information

#### Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Non-fund-based - ST-ILC/FLC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Name: Mr. Mradul Mishra  
Contact no.: +91-22-6837 4424  
Email ID: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Name: Mrs. Ruchi Shroff  
Contact No.: 022-67543554  
Email ID: [ruchi.shroff@careratings.com](mailto:ruchi.shroff@careratings.com)

### Relationship Contact

**Mr. Saikat Roy**  
Cell: + 91 98209 98779  
E-mail: [saiikat.roy@careratings.com](mailto:saiikat.roy@careratings.com)

### Mr. Ankur Sachdeva

Cell: + 91 98196 98985  
E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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