

Jiya Eco Products Limited
January 8, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank facilities	11.90 (enhanced from 9.62)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total	11.90 [Rupees Eleven crore and Ninety Lakhs only]		

Details of instruments/facilities in Annexure -1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Jiya Eco Products Limited (JEPL) continue to derive strength from experienced promoters, growing scale of operations along with comfortable profit margins, comfortable capital structure and debt coverage indicators during FY17 (refers to the period April 1 to March 31). The rating further derives strength from easy availability of raw material and diversified end user industries.

The rating, however, is remain constrained on account of working capital intensive nature of operations leading to higher utilization of bank borrowing and implementation and stabilization risk associated with proposed debt funded capex.

JEPL's ability to scale up its operations further by successfully completing its proposed debt funded capex and obtain optimum capacity utilization along with maintaining healthy profit margins and capital structure would be the key rating sensitivity. Further, improvement in overall liquidity position will also remain crucial.

Detailed description of the key rating drivers**Key Ratings Strengths*****Experienced promoters***

JEPL is collectively promoted by Mr Bhavesh Kakadia, Mr Yogesh Patel and Mr Harshad Monpara. The promoters of JEPL have experience around decade in the different industries including manufacturing of bio-fuel products.

Easy access to raw material and diversified end user industries

The key raw material used for manufacturing of bio-fuel briquettes and pallets are agro waste, forest waste and solid waste which are sourced by JEPL through the local farmers of the nearby regions. Furthermore, bio-fuel can be used as alternate source of fossil fuel and it can be used in different industries reducing the risk of dependence on a single end user industry.

Growth in TOI as well as profitability during FY17

During FY17 (A), TOI of JEPL grew at a healthy rate of 54% to Rs.52.02 crore as against Rs.33.88 crore during FY16 (A). Improvement in TOI was on the back of nearly fourfold jump in revenue from bio fuel pellets which was due to increase in additional capacity installed during FY16. Consequent to healthy growth in its TOI, both PBILDT and PAT of JEPL in absolute terms also reported growth of 47% and 65% respectively in FY17 owing to which margins stood at comfortable level as marked by PBILDT margin of 16.68% and PAT margin of 8.75%.

Capital structure and debt coverage indicators continue to remain comfortable

Capital structure of JEPL deteriorated marginally as marked by an overall gearing ratio of 0.63 times as on March 31, 2017 (0.55 times: as on March 31, 2016) on the back of increase in total debt level which was primarily due to increase in working capital bank borrowing to support incremental business operations.

During FY17 (A), interest coverage ratio deteriorated marginally to 4.70 times as compared with 5.10 times for FY16 on the back of increase in interest costs. Though GCA reported healthy growth, on account of proportionately higher increase in debt level, total debt to GCA deteriorated marginally to 2.07x as on March 31, 2017 as compared to 2.10x as on March 31, 2016.

Key Rating Weaknesses***Working capital intensive nature of operations***

Overall operations of JEPL are working capital intensive as reflected by high operating cycle of 108 days during FY17 which has elongated from 93 days in FY16 owing to increase in inventory holding period as well as higher collection period. Being into manufacturing of bio-fuel pellets which requires processing of agro based waste, JEPL has to procure raw material on cash basis and no credit period is offered by its suppliers. On the contrary, JEPL receives payment within 90 to 120 days from its customers. On account of this, overall working capital requirement has remained high at 89% for trailing 12 month period ended November 2017. In addition to this, JEPL has also availed additional funding from various NBFC's

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

to meet its working requirement. All these have resulted into increase in total debt level to Rs.19.46 crore as on September 30, 2017 from Rs.9.91 crore as on March 31, 2017.

The current ratio of the company remained comfortable at 2.16 times as on March 31, 2017 as against 2.13 times as on March 31, 2016.

Implementation and stabilization risk associated with proposed debt funded capex

JEPL is planning for a debt funded capex to set up a new facility for manufacturing Bio-fuel pellets in Gandhidham which will have production capacity of 40 Metric tons per day with the total cost of the project of Rs.7 crore which is proposed to be funded through term loan of Rs.6 crore and balance through unsecured loans from promoters. Till December 27, 2017 no costs have been incurred towards this project and financial closure is yet to achieve. JEPL has envisaged completing the said project during April 2018 and expects to commence commercial production during the same period.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Criteria for Short Term Instruments](#)

About the Company

Bhavnagar (Gujarat) based, JEPL was incorporated in December 2011 as Jiya Eco Products Private Limited (JEPPL). Later on during February 2014, the same was converted to Public Limited Company with its present name. JEPL is promoted by three individuals namely Mr. Bhavesh Kakadia, Mr. Yogesh Patel and Mr. Harshad Monpara with an object to carry out manufacturing of agro waste based bio-fuel products. JEPL operates from its ISO 9001:2008 certified manufacturing facilities located at Bhavnagar with installed capacity of 150 MTPD of bio-fuel briquettes and 240 MTPD of bio-fuel pellets as on March 31, 2017. The products manufactured by JEPL are used as alternative of fossil fuel and it caters to various industries such as chemical industry, ceramic industry, textile processing units and rolling mills etc. Bio-fuel pellets have same use as that of briquettes; however they are compact and smaller in size compared to the briquettes, and it can be used in restaurants, hotels and for other domestic use as well apart from industrial uses. Bio fuel (Briquettes and Pellets) are substitute of fossil fuels such as coal, lignite, diesel, kerosene and other petroleum products.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	33.88	52.02
PBILDT	5.91	8.68
PAT	2.76	4.55
Overall gearing (times)	0.55	0.63
Interest coverage (times)	5.10	4.70

A: Audited;

During H1FY18 (Provisional), JEPL has achieved a TOI of Rs.32.32 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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-Cash Credit	-	-	-	8.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	July, 2020	1.75	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	August, 2021	1.34	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	August, 2021	0.82	CARE BBB-; Stable

Annexure 2: Rating History for 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	8.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Jan-17)	1)CARE BBB- (02-Mar-16)	1)CARE BB (24-Dec-14) 2)CARE BB- (11-Jul-14)
2.	Fund-based - LT-Term Loan	LT	1.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Jan-17)	-	-
3.	Fund-based - LT-Term Loan	LT	1.34	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Jan-17)	-	-
4.	Fund-based - LT-Term Loan	LT	0.82	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Jan-17)	-	-

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