

Rating Advisory

March 24, 2022 | Mumbai

Jolly Board Limited

Update as on March 24, 2022

This rating advisory is provided in relation to the rating of Jolly Board Limited

The key rating sensitivity factors for the rating include:

Upward factors

- * Cash accrual above Rs 30 crore, driven by improved revenue in the fibreboard business and sustained operating margins
- * Maintenance of the financial risk profile and liquidity

Downward factors

- * Decline in cash accrual to below Rs. 15 crore due to lower rental income or decline in revenue from fibreboard business
- * Any debt-funded capex or acquisition, impacting the capital structure

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Jolly Board Limited (JBL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If JBL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

JBL, set up by Mr Arvind Jolly in 1956, manufactures fibreboard, which includes bitumen-impregnated softboard, plain softboard, laminated softboard, and painted softboard and is also planning to add fibre cement boards to its product portfolio. The company has manufacturing units at Aurangabad and Sangli in Maharashtra.

It also generates significant income from commercial space in Kanjurmarg, Mumbai, which is given out on lease.



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Rating Rationale

January 29, 2021 | Mumbai

Jolly Board Limited

Ratings reaffirmed at 'CRISIL BBB+ / Stable / CRISIL A2 '

Rating Action

Total Bank Loan Facilities Rated	Rs.10 Crore
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)
Short Term Rating	CRISIL A2 (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB+/Stable/CRISIL A2' ratings on the bank facilities of Jolly Board Ltd (JBL).

The ratings continue to reflect an above-average financial risk profile and ample liquidity, the extensive experience of the promoters in the fibreboard industry, and steady cash flows from lease rent income. These strengths are partially offset by moderate working capital requirement and volatile profit margin in manufacturing business.

Key Rating Drivers & Detailed Description

Strengths:

* **Extensive industry experience of the promoters:** The four-decade-long experience of the promoter, Mr Arvind Jolly, his sound understanding of the fibreboard industry, and healthy relationship with suppliers and customers, have helped the company establish its position both in the domestic and overseas markets. Given the niche sector in which it operates, and a well-diversified customer and geographical base, the company is likely to maintain its established market position over the medium term.

* **Above-average financial risk profile:** The network was strong at Rs 232 crore, and total outside liabilities to adjusted network ratio at 0.19 time, as on March 31, 2020. The company has no debt outstanding as on March 31, 2020. Debt protection metrics were comfortable, with interest coverage ratio of 318 times in fiscal 2020. Absence of any debt-funded capital expenditure (capex) plans and adequate accruals should support the financial risk profile over the medium term.

* **Steady cash flows from lease rent income:** Healthy rental income of about Rs.30 crores from leased properties of about 226,000 sq ft in Mumbai, continues to support the cash accruals. Healthy occupancy rates (above 90%) and timely rental collections till Dec-2020 indicates no major impact of pandemic on these cashflows. However, timely receipt of rentals along with sustenance of healthy occupancy levels will remain a key monitorable factor.

Weaknesses:

* **Moderate working capital requirement:** Gross current assets (GCAs) were at 164 days as on March 31, 2020, driven by moderate inventory of 53 days and debtors of 31 days, against payables of 117 days. Cash and bank balance of Rs 9.3 Cr, as on March 31, 2020 has also contributed to higher GCAs. Operations are expected to remain moderately working capital intensive over the medium term.

* **Volatility operating margins:** The operating margin remains highly susceptible to any adverse movement in prices of raw material, especially that of bagasse, which has been extremely volatile in the past. Availability of bagasse is highly dependent on production of sugarcane. Any drop in production can lead to a sharp increase in raw material prices. The operating margins have hence remained volatile and declined from 9.4% in fiscal 2018 to -5% in fiscal 2020.

Liquidity: Adequate

Liquidity is adequate with expected net cash accrual of Rs 20 crore per fiscal in fiscals 2021 and 2022, against no repayment obligations. Also, the bank limit of Rs 7.5 crore has remained unutilized over past 12 months ended December 2020. It had unencumbered cash and liquid investments of Rs 39.65 crore, as on March 31, 2020, which further supports liquidity. CRISIL Ratings expects internal accruals, cash & cash equivalents and unutilized bank lines to be sufficient to meet its incremental working capital requirements.

Outlook Stable

CRISIL Ratings believes JBL will continue to benefit from the extensive industry experience of its promoters.

Rating Sensitivity factors

Upward factors

- * Cash accrual above Rs 30 crore, driven by improved revenue in the fibreboard business and sustained operating margins
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Downward factors

- * Decline in cash accrual to below Rs. 15 crore due to lower rental income or decline in revenue from fibreboard business
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About the Company

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It also generates significant income from commercial space in Kanjurmarg, Mumbai, which is given out on lease.

Key Financial Indicators

Particulars	Unit	2020	2019
Revenue	Rs crore	64.48	78.45
Profit after tax (PAT)	Rs crore	22.67	18.10
PAT margin	%	35.2	23.1
Adjusted debt/adjusted networth	Times	NA	NA
Interest coverage	Times	318	78

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Complexity levels	Issue size (Rs cr)	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	NA	0.15	CRISIL A2
NA	Bill Discounting under Letter of Credit	NA	NA	NA	NA	2	CRISIL A2
NA	Cash Credit	NA	NA	NA	NA	7.5	CRISIL BBB+/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	NA	0.35	CRISIL BBB+/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2021 (History)		2020		2019		2018		Start of 2018
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	7.85	CRISIL BBB+/Stable		--		--	03-10-19	CRISIL BBB+/Stable	31-12-18	CRISIL BBB+/Stable	CRISIL BBB+/Stable
Non-Fund Based Facilities	ST	2.15	CRISIL A2		--		--	03-10-19	CRISIL A2	31-12-18	CRISIL A2	CRISIL A2

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	0.15	CRISIL A2	Bank Guarantee	0.15	CRISIL A2
Bill Discounting under Letter of Credit	2	CRISIL A2	Bill Discounting under Letter of Credit	2	CRISIL A2
Cash Credit	7.5	CRISIL BBB+/Stable	Cash Credit	7.5	CRISIL BBB+/Stable
Proposed Long Term Bank Loan Facility	0.35	CRISIL BBB+/Stable	Proposed Fund-Based Bank Limits	12.63	Withdrawn
-	-	-	Proposed Long Term Bank Loan Facility	0.35	CRISIL BBB+/Stable
Total	10	-	Total	22.63	-

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
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