

Rating Advisory

January 18, 2021 | Mumbai_____

Jolly Board Limited

Advisory as on January 18, 2021

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

The key rating sensitivity factors for the rating include:

- Timely servicing of debt

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 was set up by Mr Arvind Jolly in 1956. The company manufactures fibreboard, which includes bitumen-impregnated softboard, plain softboard, laminated softboard, and painted softboard. It has an extensive land bank in Kanjurmarg, which is being developed by Lodha Developers. The company has manufacturing units at Aurangabad and Sangli.

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Rating Rationale

October 03, 2019 | Mumbai

Jolly Board Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.10 Crore (Reduced from Rs.22.63 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 has reaffirmed its ratings on the bank facilities of Jolly Board Limited (JBL) at 'CRISIL BBB+/Stable/CRISIL A2', and subsequently **withdrawn** the rating on the proposed fund based bank limits of Rs 12.63 crore at the company's request. The withdrawal is in line with CRISIL's policy on withdrawal of bank loan ratings.

The ratings continue to reflect an above-average financial risk profile, 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 exposure to risks associated with volatility in raw material prices and foreign exchange (forex) rates.

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 networth was strong at Rs 217 crore, and total outside liabilities to adjusted networth ratio at 0.22 time, as on March 31, 2019. Debt protection metrics were comfortable, with interest coverage ratio of 78 times in fiscal 2019. 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, continues to support the accruals. Company is expected to further expected to receive cash flows from sale of remaining flats over the medium term.

Weaknesses

- * **Moderate working capital requirement:** Gross current assets were at 155 days as on March 31, 2019, driven by moderate inventory of 61 days debtors of 22 days, against payables of 100 days. Operations should remain moderately working capital intensive over the medium term.
- * **Exposure to risks related to volatility in raw material prices:** 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.

Liquidity: Adequate

Liquidity is adequate. Net cash accrual is expected at Rs 23-24 crore per fiscal in fiscals 2020 and 2021, against no repayment obligations. Also, the bank limit of Rs 7.5 crore has not been utilised. Outstanding investments in various mutual and liquid funds of Rs 29.5 crore, further support liquidity. CRISIL expects internal accruals, cash & cash equivalents and unutilized bank lines to be sufficient to meet its incremental working capital requirements.

Outlook: Stable

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

Rating sensitivity factors

Upward Factor

- *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 Factor

- *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.

About the Company

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bank in Kanjurmarg, which is being developed by Lodha Developers. The company has manufacturing units at Aurangabad and Sangli.

Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	78.45	96.56
Profit After Tax (PAT)	Rs crore	18.10	30.51
PAT Margin	%	23.1	31.6
Adjusted debt/adjusted networkth	Times	NA	0.02
Interest coverage	Times	78.00	69.28

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	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	7.5	CRISIL BBB+/Stable
NA	Bill Discounting under Letter of Credit	NA	NA	NA	2.0	CRISIL A2
NA	Bank Guarantee	NA	NA	NA	0.15	CRISIL A2
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	0.35	CRISIL BBB+/Stable
NA	Proposed Fund Based Bank Limits	NA	NA	NA	12.63	Withdrawn

Annexure - Rating History for last 3 Years

		Current		2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	7.85	CRISIL BBB+/Stable			31-12-18	CRISIL BBB+/Stable	15-09-17	CRISIL BBB+/Stable	27-06-16	CRISIL BBB+/Stable/ CRISIL A2	CRISIL BBB/Stable
Non Fund-based Bank Facilities	LT/ST	2.15	CRISIL A2			31-12-18	CRISIL A2	15-09-17	CRISIL A2	27-06-16	CRISIL A2	CRISIL A3+

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	.15	CRISIL A2	Bank Guarantee	.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 Fund-Based Bank Limits	12.63	Withdrawn	Proposed Fund-Based Bank Limits	11.98	CRISIL BBB+/Stable

Proposed Long Term Bank Loan Facility	.35	CRISIL BBB+/Stable	Term Loan	1	CRISIL BBB+/Stable
Total	22.63	--	Total	22.63	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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