

Rating Advisory

March 17, 2023 | Mumbai

Jumbo Bag Limited

Update as on March 17, 2023

This rating advisory is provided in relation to the rating of Jumbo Bag Limited

The key rating sensitivity factors for the rating include:

Upward Factors

- Improvement in TOLTNW to less than 2.5 times.
- Improvement in working capital cycle, with gross current assets improve to 200 days.

Downward Factors

- Cash accrual of below Rs 4 crore due to lower-than-expected business performance or decline in operating margins
- Any large debt funded capital expenditure adversely impacting the financial risk profile

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 Jumbo Bag 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. GPN Gupta in 1990. The Chennai-based company manufactures FIBCs, also known as jumbo bags. It is a part of the Bliss group, which is engaged in the packaging business.

The company is listed on the Bombay Stock Exchange.

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Rating Rationale

January 28, 2022 | Mumbai

Jumbo Bag Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.66.5 Crore
Long Term Rating	CRISIL BB/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BB/Stable/CRISIL A4+' on the bank facilities of Jumbo Bag Limited (JBL).

The ratings continue to reflect JBL's established position in the regional flexible intermediate bulk containers (FIBC) segment, and extensive experience of its promoters. These rating strengths are partially offset by leveraged capital structure and large working capital requirements.

Key Rating Drivers & Detailed Description

Strengths:

- Established regional market position:**
 Longstanding presence in the FIBC segment, has helped JBL emerge as a leading player, with presence in both low and medium-end grade bags. JBL caters to a diversified end-user profile, including chemicals, minerals, and fertilizer companies, and has maintained healthy relationships with customers and suppliers.
- Extensive experience of the promoters:**
 The two decade-long experience of the promoters, and their keen grasp over local market dynamics, have helped the company survive various business cycles and manage volatility in input prices. Further, the promoters have been able to scale up their Del Credere business, with steady addition of customers.

Weaknesses:

- Leveraged capital structure:**
 The financial risk profile was constrained by high gearing and high total outside liabilities to tangible network (TOLTNW) ratio of 2.48 times and 3.76 times, respectively, as on March 31, 2021, mainly because of high reliance on bank lines for working capital requirement. The capital structure should improve with accretion to reserve and repayment of loans.
- Large working capital requirement:**
 The working capital cycle is likely to remain stretched as a major part of the revenue is booked in the second half of the fiscal. Gross current assets were over 278 days as on March 31, 2021 on account of its high debtors at 164 days and due to sizeable inventory at 114 days. Debtors are high due to extended credit given to various customers. The overall working capital cycle is expected to remain at high over the medium term.

Liquidity: Adequate

Bank limit utilization is moderate at around 73.42 percent for the past twelve months ended September 2021. Cash accruals are expected to be over Rs 5-6 crores which are sufficient against term debt obligation of around Rs 2 crores over the medium term. In addition, it will act as cushion to the liquidity of the company.

Outlook: Stable

CRISIL Ratings believes JBL will continue to benefit from its strong market position, and established relationships with customers and suppliers.

Rating Sensitivity factors

Upward Factors

- Improvement in TOLTNW to less than 2.5 times.
- Improvement in working capital cycle, with gross current assets improve to 200 days.

Downward Factors

- Cash accrual of below Rs 4 crore due to lower-than-expected business performance or decline in operating margins
- Any large debt funded capital expenditure adversely impacting the financial risk profile

About the Company

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Key Financial Indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	84.51	91.63
Reported profit after tax	Rs crore	0.37	1.02
PAT margins	%	0.4	1.1
Adjusted Debt/Adjusted Net worth	Times	2.48	2.40
Interest coverage	Times	1.76	1.55

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)	Complexity level	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	7.4	NA	CRISIL A4+
NA	Cash Credit	NA	NA	NA	34.5	NA	CRISIL BB/Stable
NA	Foreign Bill Discounting	NA	NA	NA	8.25	NA	CRISIL BB/Stable
NA	Foreign Exchange Forward	NA	NA	NA	0.8	NA	CRISIL A4+
NA	Letter of Credit	NA	NA	NA	8	NA	CRISIL A4+
NA	Working Capital Demand Loan	NA	NA	NA	7.55	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	51.1	CRISIL BB/Stable / CRISIL A4+		--		--	13-10-20	CRISIL BB/Stable / CRISIL A4+	27-05-19	CRISIL BB/Stable	CRISIL BB-/Stable
			--	--	--	--	12-08-20	CRISIL BB/Stable / CRISIL A4+	--	--		
Non-Fund Based Facilities	ST	15.4	CRISIL A4+		--		--	13-10-20	CRISIL A4+	27-05-19	CRISIL A4+	CRISIL A4+
			--	--	--	--	12-08-20	CRISIL A4+	--	--		

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	7.4	CRISIL A4+
Cash Credit	34.5	CRISIL BB/Stable
Foreign Bill Discounting	8.25	CRISIL BB/Stable
Foreign Exchange Forward	0.8	CRISIL A4+
Letter of Credit	8	CRISIL A4+
Working Capital Demand Loan	7.55	CRISIL BB/Stable

Criteria Details

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
CRISILs Criteria for rating short term debt

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