

## Rating Rationale

**Brickwork Ratings assigns ‘BWR BBB-’ and ‘BWR A3’ Ratings for bank Loan facilities aggregating to ₹ 34.10 Crs of Jagson Colorchem Ltd (JCL).**

Brickwork Ratings (BWR) has assigned the following **Ratings<sup>1</sup>** for the Bank Loan Facilities aggregating to ₹ 34.10 Crs, of Jagson Colorchem Ltd (JCL or the ‘Company’).

Nature of Facility	Term	Sanctioned/ Outstanding Limits	Proposed Limit	Rating
<b>Fund Based</b>				
Cash Credit	<b>Long Term</b>	(1.00)	(1.00)	<b>BWR BBB-</b> <i>(Pronounced as BWR Triple B Minus)</i>
Term Loan		-	2.50	
Standby Line of Credit	<b>Short Term</b>	2.00	2.00	<b>BWR A3</b> <i>(Pronounced as BWR A Three)</i>
EPC/PCFC/FBD/EBR		15.00	22.00	
<b>Non Fund Based</b>				
Buyer Credit		(5.00)	(7.00)	
CEL		0.60	(1.50)	
Non LC FBD		(2.00)	(2.00)	
LC		7.00	7.60	
<b>Total</b>			<b>24.60 Cr</b>	

BWR has principally relied upon the audited financial results of JCL’s upto FY14, projected financials for FY15 and FY16, publicly available information and information/clarification provided by the Company.

The rating has factored, inter alia, the promoter’s experience in the industry and manufacturing facilities at the company’s factory. The ratings, also takes into account increase in the scale of

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

operations, profit margins, comfortable leverage and cash accruals along with diversification in the clientele base during FY14. However the rating is constrained by volatile raw material price, working capital intensive, expose to foreign risk and intense competition from other players in the industry.

## Background

Jagson Colorchem ltd an ISO 9001:2000 certified was incorporated by Mr. Dinesh Jagnani. The company is located at Vatva, Ahmedabad. Company is the manufacturer and exporter of Dyestuff, Acid dyes, Reactive dyes, Direct dyes, Leather, Colours, Colorants, Printing, Paper dyes and etc.

The business intends to run on three shift basis. The work area is currently divided into three separate process areas, ensuring isolation, cleanliness and non-contamination of products.

In addition, the company also maintains its own in-house quality control laboratory and sample retention area.

The production facilities include Spray Driers, Tray Driers and Fluid Bed Driers supported with reverse osmosis system in order to make salt free dyes. Sophisticated Nauta mixture and blender are used for standardizing and de-dusting of final products.

## Financial Performance

The revenue from operations increased from ₹ 76.10 Crs in FY13 to ₹ 114.29 Crs in FY14. The Company has reported net profit margin of 4.07 per cent and operating margin of 6.66 per cent for FY14. The debt equity ratio is low at 0.84 times. The total Net Worth stood at ₹ 15.49 Crs as on 31-3-2014.

## Rating Outlook

The rating reflects the position of the Company in the manufacturing segment of the industry it caters to. Going forward, ability of the Company to achieve projected turnover, timely manage the highly susceptible of raw materials price fluctuations, to sustain the profitability margins achieved and manage working capital requirement will remain key rating sensitivities.

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