

Jayatma Industries Limited

September 13, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	14.50	CARE B; Stable/ CARE A4; ISSUER NOT COOPERATING* (Single B; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	29.50 (₹ Twenty-Nine Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE had, vide its press release dated November 15, 2019, placed the ratings of Jayatma Industries Limited (JIL) under the 'issuer non-cooperating' category as JIL had failed to provide information for monitoring of the ratings and had not paid the surveillance fees for the rating exercise as agreed to in its rating agreement. CARE had further reviewed the ratings on the above bank facilities of JIL under the 'issuer non-cooperating' category vide its press release dated August 07, 2020 and June 23, 2021. JIL continues to be non-cooperative despite repeated requests for submission of information through e-mail dated May 09, 2022, May 19, 2022 and May 29, 2022. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. **Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

Detailed description of the key rating drivers

At the time of last rating on June 23, 2021, the following were the rating strengths and weaknesses: (updated based on best available information i.e. financial results for year ended March 31, 2022 and quarter ended June 30, 2022 published on stock exchange).

Key Rating Weaknesses

Modest and volatile scale of operation and thin profitability and weak debt coverage indicators: Total operating income (TOI) of the company remained largely stable and modest at Rs.150 crore during FY22 as against Rs.155 crore during FY21. However, TOI of the company de-grew by 75% on y-o-y basis and stood at Rs.18 crore during Q1FY23 as against Rs.66 crore during Q1FY22. The company is primarily engaged into trading of cotton and cotton yarn hence, the sales remained highly volatile. PBILDT margin of the company remained thin at 1.25% during FY22 however its marginally improved to 2.28% during Q1FY23. The PAT margin of the company also remained very thin at 0.18% and 0.23% during FY22 and Q1FY23 respectively. Company's profitability continued to remain thin primarily on account of the company's presence in the lowest segment of the cotton textile value-chain with limited value addition. Gross cash accruals (GCA) of the company stood at Rs.0.55 crore during FY22 and Rs.0.12 crore during Q1FY23. Due to thin profitability and very low GCA its debt coverage indicators continued to remain weak marked by Total Debt/ GCA of 24.45 times (P.Y.: 29.62 times) and PBILDT interest coverage of 1.55 times in FY22 (P.Y.: 1.36 times).

Susceptibility of operating margins to volatile cotton prices: Raw cotton is the key raw material for ginning and pressing activities. Prices of raw cotton are highly volatile in nature. Cotton ginners usually procure raw materials in large volumes to bargain bulk discount from suppliers hence, the volatility in cotton price along with the high inventory requirements results in high susceptibility of operating margins to cotton price fluctuations.

Working capital intensive operations: Due to seasonal nature of business, JIL is required to keep minimum amount of inventory to serve the demand in non-season period. Apart from this, having low bargaining power with its reputed customers,

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

JIL needs to extend high credit which further enhances the working capital requirement. Capital structure of the company continue to remain moderately leveraged marked by overall gearing ratio of 1.12 times as on March 31, 2022 (P.Y.:1.34 times) largely on account of higher reliance on working capital borrowing to support the operation coupled with relatively small tangible net-worth.

Presence in highly fragmented cotton ginning industry and government regulations: Cotton ginning business involves very limited value addition and is highly dominated by small and medium scale units resulting in highly fragmented nature of the industry. Moreover, the competition in the ginning industry remains stiff restricting the profitability margins. Furthermore, Government policies with regard to minimum support price (MSP) and export-import policy affect cotton prices.

Key Rating Strengths

Vast experience of promoters in the cotton ginning business: Mr. Nirav K Shah, Chief Executive Office & Director has over a decade of experience in the ginning industry, actively manages the routine operations of the company. The other directors of the JIL also have vast experience in the cotton ginning business and co-manage the business activities. The promoters are supported by a team of technically qualified and experienced professionals.

Strategically located manufacturing unit along with long standing relationship with reputed customers: The ginning facilities of JIL are located at Kadi in Mehsana District of Gujarat. Gujarat is one of the largest producers of cotton in India. JIL's presence in the cotton producing region results in benefit derived from a lower logistic expenditure, easy availability and procurement of raw materials at effective prices. Further, JIL has a long-standing relationship with some of the reputed clients which includes leading textile companies like Arvind Limited and Vardhaman Textile Limited. However, CARE Ratings Limited (CARE) does not have latest update on JIL's customer base.

Analytical Approach: Standalone

Applicable Criteria:

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing Companies](#)

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

About the Company

JIL was incorporated in September 1983, as a private limited company and subsequently got converted into public limited company in December 1994. JIL is engaged in cotton ginning and pressing with an installed capacity of 300 metric tonne per day (MTPD) along with the trading of raw cotton, ginned cotton bales, cotton yarn and cotton seeds. JIL has also set up an oil mill with 11 oil expellers having a combined installed capacity of 10 MTPD for manufacturing wash oil (raw oil) and de-oiled cakes (DOC). The manufacturing facilities of the company are located at Kadi, Gujarat. JIL has also installed a wind turbine generator of 0.80 Mega Watt at Jamnagar.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A) ^	Q1FY23 (UA) ^
Total operating income	155.38	149.91	17.53
PBILDT	2.35	1.87	0.40
PAT	0.23	0.27	0.04
Overall gearing (times)	1.34	1.12	NA
Interest coverage (times)	1.36	1.55	1.43

A: Audited; UA: un-audited; NA: Not available; ^ As per the published results available from stock exchange

Status of non-cooperation with previous CRA: Brickwork vide its PR dated June 07, 2022 has put the rating of JIL under 'Issuer not cooperating' category since the company has failed to submit the requisite information as required by CRA.

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Not applicable

Complexity level of various instruments rated for this company: Annexure-3

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	15.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	-	-	-	-	14.50	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument / Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	LT/ ST	14.50	CARE B; Stable/ CARE A4; ISSUER NOT COOPERATING*	-	1)CARE B; Stable/ CARE A4; ISSUER NOT COOPERATING* (23-Jun-21)	1)CARE B; Stable/ CARE A4; ISSUER NOT COOPERATING* (07-Aug-20)	1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (15-Nov-19)
2	Fund-based - LT-Cash Credit	LT	15.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (23-Jun-21)	1)CARE B; Stable; ISSUER NOT COOPERATING* (07-Aug-20)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (15-Nov-19)

*Issuer did not cooperate; Based on best available information

Annexure-3: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	Simple

Annexure-4: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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