

Jaykishan Fibre Private Limited

February 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.00	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	35.00	CARE BB+; Stable / CARE A4+	Assigned
Short Term Bank Facilities	0.46	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings of Jaykishan Fibre Private Limited (JFPL), CARE Ratings Limited (CARE Ratings) has considered combined financial and business profiles of Jaykishan Fibre Private Limited (JFPL), Markwell Spinning Private Limited (MSPL), Markwell International (MI), Mayur Enterprise (ME), and Viaan Oil Industries (VOI) collectively referred as Markwell Group (MG), due to their managerial and operational linkages. All the entities are closely held with ownership and control by a common partner family. Moreover, the entities operate in similar line of business.

The ratings assigned to the bank facilities of MG are constrained on account of thin profitability margins during FY23 (Unaudited, refers to period April 01 to March 31), moderately leveraged capital structure and weak debt coverage indicators, susceptibility of profitability to volatile raw material prices and presence in highly competitive and inherently cyclical textile and groundnut industry.

The ratings, however, derive strength from experienced promoters with established presence in textile and groundnut industry and strategic location advantage of its manufacturing unit within proximity to cotton and groundnut growing region, and modest scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations marked by total operating income (TOI) at Rs.450 crore or more with reporting PBILDT margin above 9% on sustained basis
- Improvement in capital structure marked by overall gearing ratio below unity and debt coverage indicators marked by total debt to gross cash accruals (TDGCA) below 5 times on sustained basis
- Improvement in operating cycle below 60 days

Negative factors

- Moderation in scale of operation with TOI below Rs.250 crore or less or PBILDT margin falling below 4.0% on sustained basis
- Deterioration in capital structure marked by overall gearing at 2 times or more.

Analytical approach: Combined

For arriving at the credit rating, CARE Ratings has combined the financial risk profile of JFPL, MSPL, MI, ME, and VOI [together referred to as Markwell Group (MG)], due to their managerial (common shareholding & directorships) and operational linkages (inter-group sales/purchase).

Outlook: Stable

The outlook on the long-term rating of JFPL is "Stable" as CARE Ratings expects the entity would sustain its moderate financial risk profile over the medium term and continue to benefit from the extensive experience of the promoters in the industry.

Detailed description of the key rating drivers:

Key weaknesses

Thin profitability during FY23

MG's profitability marked by PBILDT margin stands thin due to its limited presence in value chain and presence in competitive textile & groundnut industry. Historically, Indian cotton prices had largely remained at par or lower than international cotton prices. However, it remained 20-25% higher than international prices in FY23 resulting in decline in the competitiveness of Indian cotton yarn spinners amidst restrictions on cotton import impacting overall demand, resulting in thin PBILDT and PAT margin at 4.66% and 0.17% respectively during FY23. However, with declining cotton prices declining and recovery of international demand, margins are expected to improve in FY24.

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

Moderately leveraged capital structure and weak debt coverage indicators

The capital structure of the MG remains moderately leveraged marked by overall gearing of 1.53x as on March 31, 2023 and 1.64x as on March 31, 2022. The debt coverage indicators of the group remain weak marked by TDGCA of 9.48 years as on March 31, 2023 which deteriorated from 4.57 years as on March 31, 2022. Deterioration in FY23 is mainly owing to lower cash accruals in FY23 with significant dip in profits in one of the group entity, MSPL due to volatility in cotton prices. PBILDT interest coverage of MG remained moderate at 2.65x as on March 31, 2023 (P.Y.: 3.97X) as on March 31, 2023. The net worth of the group remained modest at Rs.65.82 crore as on March 31, 2023.

Susceptibility of profitability to volatility in raw material prices and presence in highly competitive industry

MG's profitability is susceptible to the movement in the prices of raw cotton which is one of the key raw materials for MG. The prices of raw cotton are volatile in nature and depend upon factors such as area under production, yield, vagaries of monsoon, international demand supply scenario, inventory carry forward from the previous year and export quota along with minimum support price (MSP) decided by the government. Also, the yarn manufacturing industry is highly competitive and fragmented with the presence of large number of players which limits the pricing power of them. Prices of raw cotton have been volatile over last couple of years, which translates into risk of inventory losses for the industry players.

Also, India is one of the major groundnuts producing countries and among the leading countries exporting groundnut-related products. The groundnut business in India is characterised by a high degree of competition, resulting from high fragmentation due to the low entry barriers and low capital intensity of the business. Thus, the profitability is inherently thin and is further exposed to movements in the prices of groundnut seeds and groundnut oil. The prices of groundnuts are determined based on the demand and supply of groundnut seeds, which in turn, depends upon the rainfall and area under cultivation, and thus, remain volatile.

Key strengths

Experienced promoters with established track record in cotton ginning, spinning, and agro processing industry

JFPL is a part of Markwell group promoted by Mr Divyesh Saparia along with other family members and relatives. The promoters of Markwell group possess an experience of around two decades in the cotton and agro processing industry. The promoters of the company are actively involved in day-to-day management of the company. Further, long experience of the promoters in the said industry helps them develop a marketing network which benefits the company in terms of raw material procurement and ease in managing day-to-day operations.

Moderate scale of operations

MG's scale of operations marked by its TOI remained moderate at Rs.359.97 crore in FY23. It increased by ~5% Y-o-Y from Rs.341.20 crore during FY22 and was supported by increase in sales volume of groundnut and roasted groundnut during FY23.

Strategic locational advantage of its manufacturing unit with easy access to raw materials

The manufacturing facilities of JFPL are located near Bhuj, Kutch (Gujarat). Since Gujarat is India's major cotton producing belt, it helps JFPL to easily procure cotton from ginneries along with groundnut in surrounding locality and offers JFPL locational advantage in terms of lower logistics expenditure (both on the transportation and storage) & ready availability of raw materials. Further, JFPL gets benefit of synergy through forward integration with its group concern engaged in cotton spinning.

Liquidity: Adequate

The Markwell group (MG) has adequate liquidity marked by healthy cash and cash equivalents of Rs.17.56 crore as on March 31, 2023. MG need to keep large inventory of around 70-90 days due to the seasonality associated with the availability of cotton, groundnut, and other Agri-products. Moreover, company procures cotton largely on cash basis with minimum credit. Due to this, the group's operating cycle remain elongated which stood at 85 days during FY23 (P.Y.: 92 days). The current ratio and the quick ratio for MG stood at 2.05 times and 1.12 times as on March 31, 2023. MG has ~Rs.5 crore repayment obligations during FY24 against GCA of Rs.10.63 crore in FY23. The average utilization of JFPL's fund-based limits stood moderate at ~49% for trailing twelve months ending November 2023.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

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About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Incorporated in April 2005, Jaykishan Fibre Private Limited (erstwhile Kutch Ginning and Spinning Private Limited) is engaged in the business of groundnut processing, ginning, and pressing raw cotton to produce cotton bales and cotton seeds. The company is also engaged in crushing of cotton seeds to produce cotton seed oil and oil cake. The manufacturing facility of the company is in Kutch- Bhuj Gujarat and is having a capacity to produce 6000 MTPA cotton bales. Markwell Spinning Private Limited (MSPL) involved in spinning operations, Markwell International engaged in trading of cotton bales and cotton yarn by procuring the same from its group companies MSPL and JFPL, Mayur Enterprise engaged in processing of groundnut seeds and trading of agro products, and Viaan Oil Industries engaged in extraction of groundnut oil and trading of cotton bales.

Brief Financials (₹ crore) - Combined	March 31, 2022 (UA)	March 31, 2023 (UA)
Total operating income	341.20	359.97
PBILDT	30.70	16.79
PAT	12.63	0.60
Overall gearing (times)	1.64	1.53
Interest coverage (times)	3.97	2.65

UA: Unaudited as financials are combined by CARE Ratings, Note: 'the above results are latest financial results available'.

Brief Financials (₹ crore) – Standalone (JFPL)	March 31, 2022 (A)	March 31, 2023 (A)	8MFY24 (UA)
Total operating income	110.60	159.87	126.21
PBILDT	1.68	2.85	3.67
PAT	0.42	0.36	NA
Overall gearing (times)	5.57	5.36	NA
Interest coverage (times)	1.20	1.57	NA

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	01-10-2030	2.00	CARE BB+; Stable
Fund-based- LT/ST		-	-	-	35.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Forward Contract		-	-	-	0.46	CARE A4+

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)CARE BB; Stable (19-Feb-21) 2)Withdrawn (19-Feb-21)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (19-Feb-21) 2)CARE BB; Stable (19-Feb-21)
3	Fund-based-LT/ST	LT/ST*	35.00	CARE BB+; Stable / CARE A4+				
4	Fund-based - LT-Term Loan	LT	2.00	CARE BB+; Stable				
5	Non-fund-based - ST-Forward Contract	ST	0.46	CARE A4+				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-LT/ST	Simple
3	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the 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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