

Jasmine Towels Private Limited

July 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating	Rating Action
Long Term Bank Facilities	21.55	CARE BB; Stable	Assigned
Short Term Bank Facilities	2.45	CARE A4	Assigned
Short Term Bank Facilities	26.00 (Enhanced from 15.00)	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of Jasmine Towels Private Limited (JTPL) as 'ISSUER NOT COOPERATING'. JTPL has now cooperated by providing the necessary information for undertaking the review.

The ratings assigned to the bank facilities of Jasmine Towels Private Limited (JTPL), are constrained by moderate scale of operations, susceptibility of profitability margins to volatility in raw material prices and forex fluctuations, working capital intensive nature of business and customer concentration risk. The ratings, however, derive strength from the experience of promoters in textile industry, comfortable capital structure and debt coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations more than Rs. 100 crores with PBILDT margin of 12%.
- Improvement in working capital management and reducing the operating cycle less than 120 days.

Negative factors

- Decline in income less than Rs. 50 crores on a sustained basis.
- Debt funded capex leading to deterioration in capital structure marked by overall gearing more than 2.00x

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the company is likely to sustain operational performance with continuous orders from a reputed clientele over the medium term backed by established relationships with clients and extensive experience of the promoters.

Detailed description of the key rating drivers:

Key weaknesses

Moderate scale of operations with concentrated customer profile:

The scale of operations of the company stood moderate at Rs. 70.38 crore in FY24 (refers to the period from April 01 to March 31), which declined from Rs. 89.86 crore in FY23 on account of slowdown in export demand. More than 80% of company's income is generated from exporting terry towels to USA. Further the customer profile is concentrated with the top 3 customers forming 70% of income in FY24.

Customer concentration in revenue profile:

JTPL is a company that specializes in the production and export of towels. It primarily serves four to five key clients in the USA, including American Dawn INC, John Ritzenthaler Company, and R&R Textile Mills INC. The company's revenue structure is heavily reliant on its top two clients. Over the past three years, ending in FY24, the top three clients have accounted for between 70% and 79% of total sales. Despite this concentration, the company has maintained a long-standing relationship with these clients, spanning over a decade.

Working capital intensive nature of operations:

The operations of the company are working capital intensive in nature as reflected by an elongated operating cycle due to the high average inventory days of 126 days in FY24 which had increased from 86 days in FY23 on account of slower movement of finished goods due to reduced export demand and shortage of vessels due to the ongoing red sea crisis.

Inherent volatility associated with raw material prices and forex fluctuations

The company's profitability is susceptible to the movement in the prices of cotton fibre and yarn which is the key raw material for production of terry rowels. The prices of 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. Prices of raw cotton have been volatile over last couple of years, which translates into risk of inventory losses for the industry players. The company's revenue stream is majorly dependent on exports and the margins are susceptible to fluctuations in the Rupee-Dollar exchange rate. The PBILDT margins of the company has been volatile in the range of 8.91%-10.76% over past three years ended FY24.

Key strengths

Extensive experience of the promoters:

The company is promoted by Mr. Nayan Thakker and his two sons, Mr. Ritan Thakker and Mr. Rishub Thakker. Mr. Nayan Thakker, Managing Director, has around four decades of experience in the textile sector in the production of terry towels. Mr. Ritan Thakker, Director, is a B.E (Mechanical) graduate and has a decade of experience in the textile industry. He looks after the production and purchasing department. Mr. Rishub Thakker, Director, is an MBA (Finance) graduate and has a decade of experience in the textile industry and looks after the export sales division.

Comfortable capital structure and debt coverage indicators:

The capital structure of the company stood comfortable with overall gearing at 0.70x as on March 31, 2024, albeit increased from 0.43x as on March 31, 2023, due to the debt funded capex incurred towards modernization of machineries and installation of captive solar. The interest coverage stood comfortable at 3.32x in FY24. The debt coverage indicators marked by Total Debt/GCA stood moderate at 5.16x as on March 31, 2024, against 3.79x as on March 31, 2023.

Liquidity: Stretched

The liquidity is stretched marked by tightly marked accruals against debt repayment obligations with moderate cash balance of Rs. 3.21 crore as on March 31, 2024. The company avails credit period of around 10 days for the payment to cotton suppliers and 45 days for chemical and freight costs, while it provides credit period of up to 45 days for its customers. The working capital cycle remained elongated at 170 days in FY24 on account of higher inventory holding. Over the last 12 months ending May 2024, the average working capital utilization stood moderate at 60% with a total fund-based working capital limit of Rs. 23 crores.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Cotton Textile](#)

About the company and industry

Industry classification

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

Jasmine Towels Private Limited (JTPL) was incorporated in 1994 by Mr. Nayan Thakker and Mrs. Darshan Thakker. JTPL is primarily engaged in the manufacturing of cotton terry towels. The company's manufacturing facilities are located in Perungudi and Kanjirankulam, equipped with installed capacity of 5200 spindles and 56 weaving looms. JTPL's product range encompasses various types of terry towels, including zero twist towels, beach towels, Egyptian towels, bamboo towels, combed towels, and texture towels, among others.

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	31-03-2024 (P)
Total operating income	80.88	89.86	70.38
PBILDT	8.71	8.00	7.55
PAT	2.11	1.46	0.28
Overall gearing (times)	0.43	0.59	0.70
Interest coverage (times)	6.31	4.85	3.32

A: Audited; P: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

India Ratings and Research Private Limited (India Ratings) has conducted a review based on the best available information and has classified JTPL as "non-cooperative" vide its press release dated December 27, 2023. The reason provided by India Ratings is the non-furnishing of information for monitoring of rating.

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		-	-	May 2026	21.55	CARE BB; Stable
Fund-based - ST-Packing Credit in Indian rupee		-	-	-	26.00	CARE A4
Fund-based - ST-Standby Line of Credit		-	-	-	2.20	CARE A4
Non-fund-based - ST-Forward Contract		-	-	-	0.25	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 2024-2025	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
1	Fund-based - ST-Packing Credit in Indian rupee	ST	26.00	CARE A4	-	1)CARE A4; ISSUER NOT COOPERATING * (18-Oct-23)	1)CARE A4; ISSUER NOT COOPERATING * (21-Sep-22)	1)CARE A4; ISSUER NOT COOPERATING * (22-Jul-21)
2	Non-fund-based - ST-Forward Contract	ST	0.25	CARE A4				
3	Fund-based - ST-Standby Line of Credit	ST	2.20	CARE A4				
4	Fund-based - LT-Term Loan	LT	21.55	CARE BB; Stable				

*Issuer did not cooperate; based on best available information; LT: Long term; ST: 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 - ST-Packing Credit in Indian rupee	Simple
3	Fund-based - ST-Standby Line of Credit	Simple
4	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To 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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