

## JKC General Trading Co.

July 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	37.77 (Reduced from 40.81)	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	15.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of JKC General Trading Co. continue to be constrained by its modest scale of operations, moderate financial risk profile and coverage indicators and working capital intensive nature of operations. The ratings, however, derive strength from the long track record of operations in trading of dates, and improvement in operating margins post the commissioning of the cold storage facility.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale to 170 crore and PBILDT margin at 10% on sustained basis
- Improvement in overall gearing at 1x and TOL/TNW to 1.2 times

#### Negative factors

- Decline in scale of operations to 100 crore and PBILDT margin at 8% on sustained basis.
- Any further debt funded capex leading to deterioration in overall gearing to above 2x

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that JKC General Trading co. will continue to benefit from the extensive experience of partners in the Indian dates trading market and their healthy relationships with their customers.

### Detailed description of the key rating drivers:

#### Key weaknesses

#### Moderate scale of operations

The scale of operations remains modest with Total Operating Income declining 14.55 % from Rs. 151.45 crores during FY23 to Rs. 129.40 crores in FY24. The firm imports dates primarily from the Middle-East and Gulf countries; hence TOI was impacted on account of trade disruptions due to the Red Sea crisis.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Working capital intensive nature of operations**

The operations are working capital intensive with gross current asset days of 133 days as on 31<sup>st</sup> March ,2024 as against 162 days as on 31<sup>st</sup> March,2023 driven by high inventory of 120 days and receivables of 39 days. The operating cycle stood stretched at 105 days as on 31<sup>st</sup> March ,2024 ( FY23:101 days) . The average working capital utilization for past 12 months ending March-24 is 98% which does not provide any liquidity backup.

**Moderate financial risk profile and coverage indicators**

The financial risk profile of the firm stood moderate marked by improvement in overall gearing to 1.14x as on 31<sup>st</sup> March ,2024 as against 1.44x as on 31<sup>st</sup> March ,2023. The improvement in gearing was on account of lower debt levels due to repayment of term loans. Further the coverage indicators stood moderate marked by interest coverage of 2.07x and Total Debt/GCA of 7.01x as on 31<sup>st</sup> March, 2024.

**Key Strengths****Extensive experience of the partners and long track record of operations**

The firm was established in 1954 and has been in the dates trading business for more than 60 years which has enabled healthy relationships with their customers and suppliers. The partners' have experience of over two decades in the dates trading business and they have supported the business by infusing unsecured loans whenever required.

**Diverse customer base and long-term relationships with customers**

The firm has Pan-India presence with established relationships with wholesalers and retailers across India. They sell their dates through retailers or through agents. The firm has a diverse customer base with top 10 customers contributing 31% to total sales of FY24.

**Improvement in operating margins post commissioning of cold storage facility**

The cold storage is 100% operational from March 2022 onwards. The total cost of the project was Rs. 60 crore which was funded by Rs. 21 crore of term loan and remaining through unsecured loans. Post the commissioning of the cold storage facility, JKC is able to save on the rental expense, and this has translated into higher profitability margins since FY22. In FY21 the expense incurred towards cold storage charges was around Rs. 4.95 crore. The PBILDT margin has improved consistently from 4.86% in FY22 to 9.41% in FY23 and subsequently 10.77% in FY24.

**Liquidity: Stretched**

The liquidity position is stretched marked by term loan repayment obligations of Rs. 8.62 crore in FY25 as against tightly matched accruals. The firm does not have any capex plan in the near term. The average maximum fund-based limit utilization stood high at 98% for the past 12 months ended March-24 which does not provide any liquidity backup. The cash flow from operations stood healthy at Rs. 20 crores in FY24 (FY23 : Rs. 21 crore). Further cash and liquid investments stood low at Rs. 1.98 crores as on 31<sup>st</sup> March 2024. The partners have supported the firm by infusing unsecured loan when required.

**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](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

JKC General Trading Company (Established in 1954) is one of the biggest importers of Wet Dates in India. The company is a family owned and professionally run business. Over the past 69 years, the company has had relationships with suppliers across the Middle East and Northern Africa that guarantees reliably good quality dates which they pack and sell. In the year 2020, the company expanded its footprint into the warehousing industry with the construction of Cold Storage in the vicinity of business centric industrial estate of Navi Mumbai.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	Q1FY25 ( UA)
Total operating income	151.45	129.40	21.34
PBILDT	14.26	13.93	NA
PAT	1.63	1.49	NA
Overall gearing (times)	1.44	1.14	NA
Interest coverage (times)	2.23	2.07	NA

A: Audited UA: Unaudited P:Provisional ; 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-Cash Credit		-	-	-	23.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	2025	14.77	CARE BB; Stable
Fund-based - ST-Foreign Currency Demand Loan		-	-	-	15.00	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 - LT-Term Loan	LT	14.77	CARE BB; Stable	1)CARE BB; Stable (29-July-24)	1)CARE BB; Stable (18-Aug-23)	-	-
2	Fund-based - LT-Cash Credit	LT	23.00	CARE BB; Stable	1)CARE BB; Stable (29-July-24)	1)CARE BB; Stable (18-Aug-23)	-	-
3	Fund-based - ST-Foreign Currency Demand Loan	ST	15.00	CARE A4	1)CARE A4 (29-July-24)	1)CARE A4 (18-Aug-23)	-	-

LT: Long term; ST: Short term; LT/ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Foreign Currency Demand Loan	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](mailto:care@careedge.in) for any clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Achin Nirwani Director <b>CARE Ratings Limited</b> Phone: 022-6754 3566 E-mail: <a href="mailto:Achin.nirwani@careedge.in">Achin.nirwani@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Arunava Paul Associate Director <b>CARE Ratings Limited</b> Phone: 912267543667 E-mail: <a href="mailto:arunava.paul@careedge.in">arunava.paul@careedge.in</a>
	Arnab Navarange Rating Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Arnab.Navarange@careedge.in">Arnab.Navarange@careedge.in</a>

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