

## Suresh Jain Industries

March 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	14.02	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.20	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Suresh Jain Industries (SJI) to monitor the rating vide e-mail communications/letters dated February 28, 2025, February 18, 2025, February 05, 2025, etc and numerous phone calls. However, despite our repeated requests, it has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on SJI's bank facilities will now be denoted as CARE B+; Stable; ISSUER NOT COOPERATING\*

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.**

The ratings have been downgraded on account of insufficient information to arrive at the rating. The ratings take into account small scale of operations with moderate profit margin, leveraged capital structure with moderate debt coverage indicators and stretched liquidity, fragmented nature of industry, susceptibility of profit margins to cotton price fluctuation along with seasonality associated with the cotton industry, proprietorship nature of constitution, experience of the proprietor, integrated business model and locational advantage emanating from proximity to raw material.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on March 18, 2024, the following were the rating strengths and weaknesses:

#### Key weaknesses

##### Small scale of operation with moderate profit margin

SJI's scale of operation marked by total operating income (TOI) decreased over previous year mainly on account of decrease in total demand of its products as a result of farmers' protest as well as slump in the market and remained small at Rs. 33.12 crore in FY23 as against Rs. 42.83 crores in FY22. Further, during 11MFY24 (Prov.), the firm has booked a turnover of around Rs. 42 crores and expected to remain small for FY24. However, PBILDT margin improved to 11.27% in FY23 from 5.02% in FY22 on account of higher per unit realisation from cotton division. Consequently, PAT margin has marginally improved but remained low at 0.53% in FY23 as against 0.46% in FY22 due to higher depreciation charges which was due to purchase of land for solar power project coupled with higher interest and finance charges.

##### Leveraged capital structure with moderate debt coverage indicator

Capital structure remained leveraged marked by Overall gearing of 5.17x as on March 31, 2023 as against 4.18x in as on March 31, 2022 owing to increase in total debt level which was due to avilment of new term loans to fund the solar power plant and higher working capital limit utilization.

Debt coverage indicators improved owing to increase in profitability in absolute terms and remained moderate as marked by TDGCA at 10.28 years as on March 31, 2023 as against 15.91 years as on March 31, 2022 and Interest coverage of 2.26x during FY23 as against 1.91x during FY22.

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

**Risk associated with seasonality and fragmented nature of industry**

Operation of cotton business is highly seasonal in nature, as the sowing season is from March to July and the harvesting season is spread from November to February. Hence, generally the working capital limit were fully utilized in the peak season i.e. November to May, while in rest of the months it remained below 75%. This resulted in moderately low financial flexibility to shield against any adverse situation during peak period (November – May). Further, the cotton industry is highly fragmented with large number of players operating in the unorganized sector. As SJI faces stiff competition from other players operating in the same industry in the Amravati area, it results in low bargaining power of SJI against its customers.

**Susceptibility of profit margins to cotton price fluctuation along with seasonality associated with the cotton industry**

HRI's profitability is exposed to fluctuation in price of its key raw material, cotton. Cotton being an agricultural commodity, its price is volatile in nature and depends upon factors like area under production, yield, and vagaries of monsoon, demand supply scenario and minimum support price decided by the government. Further, agro based industries have seasonality associated with them depending on availability of raw material during a particular harvesting period.

**Proprietorship nature of constitution**

Being proprietorship nature of constitution, the firm is exposed to the risk of withdrawal of capital by proprietor due to personal exigencies, dissolution of firm due to retirement or death and restricted financial flexibility due to inability to explore cheaper sources of finance leading to limited growth potential. During FY23, proprietor has infused capital of Rs. 0.07 crore as against withdrawal of Rs. 0.05 crore during FY22.

**Key strengths****Experienced Proprietor**

SJI is promoted by Mr. Suresh Champalal Jain having an experience of more than three decade in Cotton Industry and Construction Industry. Prior to this entity, Mr. Jain had gained experience through "Bharat General Group" (a cotton seed oil extraction unit). He looks after the finance function of the firm and is also a key decision maker. He is assisted by his nephew Mr. Mayur Jain having an experience of more than 11 years in this industry, who is responsible for managing the day to day activity at the factory site and also managing the production and marketing division of the firm with adequate support from a team of experienced professionals. Furthermore, SJI has a track record of more than one and a half decade in cotton business and has established a good relationship with its customers and suppliers.

**Locational advantage emanating from proximity to raw material**

The manufacturing facility of SJI is located in the Vidarbha region of Maharashtra. Maharashtra produces around 21% of total cotton production of India. Out of the total production of Maharashtra, 60% is contributed by Vidarbha region. Hence, raw material is available in adequate quantity. Furthermore, the presence of SJI in cotton producing region also fetches a location advantage of lower logistics expenditure. Moreover, there is robust demand of cotton bales and cotton seeds in the region due to presence of spinning mills (more than 35 cotton textiles) in Yavatmal. SJI purchase raw cotton and process in its ginning and pressing unit to produce cotton bales and cotton seeds. Cotton seeds also used for captive consumption by SJI to extract oil, which was sold to oil refineries and produce finished goods i.e. oil cake, which is used to manufacture cattle cakes. Agriculture and soya waste is used as a raw material to manufacture biomass briquette and pellet, which is sold to boilers.

**Integrated business model**

Apart from ginning and pressing of cotton, cotton seed oil, SJI is also engaged in biomass briquette and pellet business. During FY23, 44.99% of TOI is generated from cotton division, 43.26% from biomass division and rest from trading of various agro products. The cotton seeds available after the ginning and pressing process are processed in oil mill to procure cotton oil and the cotton oil cake is recovered as by product, which is also sold by the firm. And waste from this process including rice husk, saw dust, bagasse, groundnut shells, other agricultural waste or forest waste is used to manufacture biomass briquette and pellets. The firm has diversified its business towards biomass briquette and pellets to reduce risk associated with seasonality and fragmented nature of business. Also, the briquette business helps the SJI to absorb its fixed cost and improve the profitability. Thus, the integrated model of the firm will help in better operational efficiency by making maximum utilization of available resources.

**Liquidity: Stretched**

Liquidity was stretched marked by low cash and bank balances, higher working capital utilization, tightly matched cash accruals as against its repayment and elongated working capital cycle. As on March 31, 2023, cash and bank balance remained low at Rs. 0.14 crore as against Rs. 0.13 crore as on March 31, 2022. Further, SJI's cash accruals are expected to remained tightly matched

to meet its debt repayment of Rs. 1.30 crore for FY24. Net CFO has turned positive and remained at Rs. 3.03 crore during FY23 as against negative CFO during FY22 due to realisation of funds from other loans and advances coupled with receivables. Due to elongated inventory period, the working capital cycle has elongated at 142 days during FY23 as against 85 days during FY22. Further as the raw material is seasonal in nature the firm keeps raw materials and finished goods for around 150-160 days to sell in high margins in off season. The working capital requirements of the entity are met by the cash credit facility availed by the entity, the average utilization of the CC limit remained at 75% for past twelve months ended January 2024.

**Assumptions/Covenants:** Not applicable

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

#### Applicable criteria

[Information Adequacy Risk and Issuer Non-Cooperation](#)

[Policy on Default Recognition](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Wholesale Trading](#)

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

SJI was established as a proprietorship concern by Mr. Suresh Champalal Jain. The entity commenced its operation in April 2010. The entity is engaged in diverse business viz. cotton ginning and pressing, extraction of cotton oil, processing of agricultural waste into biomass briquette and pellet (which is used to heat industrial boilers) and processing of groundnut with the help of decorticator. The firm is also into trading of soyabean, grains, toor and chana dal after cleaning process. The entity has set up the biomass briquette and pellet unit in FY17. Further, the firm has an installed capacity to process 800 quintal in a day of agriculture waste into biomass briquette. Also, the firm has an installed capacity to process 550 quintal per day of agriculture waste into biomass pellet. The manufacturing unit of the firm is located at Nandgaon Khandeshwar, Amravati. The unit has an installed capacity to gin and press 50,000 quintals of cotton per annum and to extract 44 lakh liter of oil per. SJI procures raw material i.e. raw cotton from the local farmers and sell its final product i.e. cotton bales and cotton oil through brokers/agents across Maharashtra, Punjab and Southern Part of India.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	11MFY24 (Prov.)
Total operating income	42.83	33.12	42.00
PBILDT	2.15	3.73	-
PAT	0.20	0.18	-
Overall gearing (times)	4.18	5.17	-
Interest coverage (times)	1.91	2.26	-

A: Audited Prov.: 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:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.50	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2029	3.52	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	0.20	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for 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	3.52	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (18-Mar-24)	1)CARE BB-; Stable (10-Mar-23) 2)CARE BB-; Stable (05-Apr-22)	1)CARE BB-; Stable (05-Apr-21)
2	Fund-based - LT-Cash Credit	LT	10.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (18-Mar-24)	1)CARE BB-; Stable (10-Mar-23) 2)CARE BB-; Stable (05-Apr-22)	1)CARE BB-; Stable (05-Apr-21)
3	Non-fund-based - ST-Bank Guarantee	ST	0.20	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (18-Mar-24)	1)CARE A4 (10-Mar-23) 2)CARE A4 (05-Apr-22)	1)CARE A4 (05-Apr-21)

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of 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	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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