Jayanita Exports Private Limited

March 23, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	7.90 (Enhanced from 6.42)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	27.80 (Enhanced from 17.80)	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	**35.70 (Rs. Thirty-Five Crore and Seventy Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

The rating assigned to the bank facilities of Jayanita Exports Private Limited (JEPL) draws comfort from the experienced management coupled with long track record of operations and Association with reputed customer albeit concentrated customer base. The ratings further take comfort from its moderate financial risk profile, moderate operating cycle and adequate liquidity position of the company. The ratings, however, continue to be constrained by modest though growing scale of operations, foreign currency fluctuation risk, exposure to volatility in raw material prices and highly competitive and fragmented industry.

Rating Sensitivities

Positive factors

- Increase in scale of operations as marked by total operating income of above Rs. 130.00 crore on sustained basis.
- Improvement in the PBILDT and PAT margin above 9% and 5% respectively on a sustainable basis.

Negative Factors

- Any significant deterioration in the capital structure of the company as marked by overall gearing ratio of above 1.00x.
- Deterioration in capital structure marked by overall gearing ratio above 1.00 times on a sustainable basis.

Detailed description of the key rating drivers

Key rating strengths

Experienced management coupled with long track record of operations: JEPL, incorporated and started its commercial operations in 1987 and has a track record of more than three decades in manufacturing of home décor items. The company is currently being managed by Mr. Suneer Jain, Mr. Raveen Jain, and Mr. Sumeet Jain. Mr. Suneer Jain and Mr. Raveen Jain are graduates by qualification and are associated with this company since its inception and have rich experience of around three and half decade through their association with this entity along with other group associates. Mr Sumeet Jain is also a graduate and possesses experience of around three decades through his association JEPL along with its other group associates. They are well supported by other family members namely Mr. Vaibhav Jain and Mr. Ansh Jain who are CEO, Deco Window and CFO respectively of the company, they both possess rich experience varied up to a decade through their association with JEPL.

Association with reputed customer albeit concentrated customer base: JEPL has been operational for more than three decades and has been able to establish relationship with its suppliers and customers. In the past, the company had executed orders for renowned organizations in home décor industry. The top five customers contribute around 56% of its total operating income in FY21; which exposes JEPL's revenue growth and profitability to its customer's future growth plans and customer concentration risk. However, the company has longstanding relationships of ~4-5 years with some of its customers. The same is evidence of company's product acceptance in the market. Further, in light of the satisfactory work, JEPL has managed to get repeat orders from its clients. Over these years the company has established business relationship with reputed companies like Wal-Mart Inc., Home Centre UAE, Nantucket USA, IKEA Sweden etc. Association with reputed customers coupled with repeated orders enhances the image of the company in the market regarding product quality.

Moderate financial risk profile: The profitability margins of the company improved though remain moderate as marked by PBILDT margin PAT margin of 10.07% and 6.05% respectively in FY21 as against 9.13% and 3.31% respectively in FY20. The improvement in PBILDT margins is on account of better margins products sold. Further, PAT margin also improved backed by increased PBILDT levels. In 9MFY22, profitability margins of the company continue to remain moderate as marked by PBILDT and PAT margin which stood at 6.72% and 2.40% respectively and is expected to remain at previous year levels over the projected period.

The capital structure of the company continues to remain comfortable as marked by overall gearing of 0.43x as on March 31, 2021 as against 0.30x as on March 31, 2020. The marginal deterioration in the overall gearing ratio can be attributed to higher utilization of the working capital borrowings of the company as on balance sheet date.

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

On account of moderate profitability margins, the coverage indicators also continue to remain moderate marked by interest coverage ratio and total debt/GCA of 7.69x and 1.96x respectively for FY21 as against 7.13x and 1.99x for FY20. In 9MFY22, the interest coverage stood at 6.31x.

Moderate operating cycle: JEPL has moderate operating cycle marked by operating cycle of 46 days in FY21(A) and remained almost stable. The company maintains minimal raw material inventory as the sales are primarily ordered backed. However, for domestic sale, the company maintain inventory of around 1-2 months in form of finished goods to meet immediate demand of its customers. Entailing the same, the average inventory period stood at 39 days for FY21 (A). The company offer credit period up to 2-3 months to its customers resulting in average collection period of 49 days in FY21 (A). The company procures raw material from local market and gets credit period of up-to 1-2 months from its supplier resulting in an average creditor period of 41 days in FY21(A). The company had average utilization of working capital limits was around 65% for the last 12 months ended January 2022.

Key Rating Weakness

Modest though growing scale of operations: JEPL scale of operations continue to remain modest as marked by a total operating income (TOI) and gross cash accruals of Rs.110.80 crore and Rs.9.52 crore respectively during FY21 (period refer to April 01 to March 31) as against Rs.80.51 crore and Rs.5.50 crore during FY20. Increase in total operating income is primarily due to addition of new customers and shift of demand from China to India in home décor product segment. Nevertheless, the scale remains modest; it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the JEPL's scale of operations is growing continuously for the period (FY19-FY21) at a CAGR of 12.64%. Further, the company has achieved total operating income and gross cash accruals of Rs.94.81 crore and 4.38 crore during 9MFY22 (refers to the period from April 1, 2021 to December 31, 2021; based on provisional results). JEPL company has unexecuted order book of Rs.35.72 crore as on March 03, 2022.

Foreign currency fluctuation risk: JEPL exports 90% of its finished products in USA, UK, Europe and UAE. With initial cash outlay for procurement in domestic currency and significant chunk of sales realization in foreign currency, the company is exposed to the fluctuation in exchange rates. However, the company hedges 80% of its export receivable exposure through forward contracts. Nevertheless, for the uncovered portion, the company's profitability margins are exposed to volatility in foreign exchange. Moreover, any change in government policies, either domestic or international is likely to affect the JEPL's revenues. Earnings are also susceptible to strict regulatory policies relating to tariff barriers (custom duty), non- tariffs barriers (restriction on the quality of imports), anti- dumping duties, international freight rates and port charges. JEPL generate income from Exchange Rate Fluctuation of Rs. 1.49 crore in FY21 as against Rs. 0.78 crore in FY20.

Exposure to volatility in raw material prices: JEPL procures the raw materials from domestic players on requirement basis. The finished goods as well as raw material prices of steel products are volatile in nature. Since the raw material is the major cost driver, any decline in finished goods price with no decline in raw material price result in adverse performance of the company. As the entity, does not have any backward integration for its primary raw materials and procures the same from outside, it is exposed to price volatility. However, to avail benefit of bargaining power and avoid supplier concentration risk, JEPL sources its raw material through numerous vendors.

Highly competitive and fragmented industry: JEPL operates in highly fragmented decorative items manufacturing industry wherein the presence of large number of entities in the unorganized sector limits the bargaining power with customers. Furthermore, the company is also exposed to competitive pressures from established players situated in China. However, increased emphasis on 'Make in India' campaign and demand-shift from Chinese products to Indian Products have favorable impact over the sales of JEPL.

Liquidity: Adequate

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company has reported gross cash accruals to the extent of Rs.9.52 crore during FY21 and Rs.4.38 crore during 9MFY22 and is expected to generate GCA of Rs7.11 crore for FY22 against repayment obligations of Rs1.64 crore in same year. Further, the average utilization of its working capital limits stood around 65% for the past 12 month's period ending January 31, 2022. The company has moderate unencumbered cash and bank balances which stood at Rs.2.99 crore as on March 31, 2021.

Analytical Approach: Standalone

Applicable Criteria:

Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Manufacturing Companies
Short Term Instruments
Policy on default recognition

About the Company
Delhi based Jayanita Exports Private Limited (JEPL) was incorporated as a private limited company in the year 1987. The company is currently being managed Mr. Raveen Jain, Mr. Suneer Jain, and Mr. Sumeet Jain.
JEPL is predominantly an export-oriented unit. The company is engaged in manufacturing and home décor items such as window hardware and accessories and garden accessories such as curtain rods, garden torches, LED lights, wall mount brackets, curtains, blinds etc. The manufacturing facility of the company is located at Greater Noida, Uttar Pradesh. JEPL majorly exports its product directly to various retail chains & stores located in USA, U.K and Europe. Domestically, the company sells its product under the brand name of Deco Window through 11 retail chains and more than 600 stores as well as ecommerce channel such as Amazon India, Flipkart, Snapdeal etc

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)	9MFY22*(UA)
Total operating income	80.51	110.80	94.81
PBILDT	7.35	11.16	6.37
PAT	2.67	6.71	2.28
Overall gearing (times)	0.30	0.43	NA
Interest coverage (times)	7.13	7.69	6.31

A: Audited; P: Provisional, NA: Not Available, **refers to the period from April 1, 2021 to December 31, 2021*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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 for this company: Annexure-4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	December, 2026	5.42	CARE BBB-; Stable
Fund-based/Non-fund-based-Short Term		-	-	-	26.00	CARE A3
Non-fund-based - ST-Forward Contract		-	-	-	1.80	CARE A3
Fund-based - LT-Term Loan		-	-	December, 2026	2.48	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	5.42	CARE BBB-; Stable	-	1)CARE BBB-; Stable (23-Mar-21)	1)CARE BBB-; Stable (25-Dec-19)	1)CARE BBB-; Stable (17-Aug-18)
2	Fund-based/Non-fund-based-Short Term	ST	26.00	CARE A3	-	1)CARE A3 (23-Mar-21)	1)CARE A3 (25-Dec-19)	1)CARE A3 (17-Aug-18)
3	Non-fund-based - ST-Forward Contract	ST	1.80	CARE A3	-	1)CARE A3 (23-Mar-21)	1)CARE A3 (25-Dec-19)	1)CARE A3 (17-Aug-18)
4	Fund-based - LT-Term Loan	LT	2.48	CARE BBB-; Stable	-	1)CARE BBB-; Stable (23-Mar-21)	1)CARE BBB-; Stable (25-Dec-19)	1)CARE BBB-; Stable (17-Aug-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-Short Term	Simple
3	Non-fund-based - ST-Forward Contract	Simple

Annexure 5: 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 instrument: CARE Ratings Ltd. 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.

Contact us

Media Contact
Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact
Name: Shivam Tandon
Contact no.: + 91-11-4533 3263
Email ID: shivam.tandon@careedge.in

Relationship Contact
Name: Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**