

Jayatma Industries Limited

June 23, 2021

Ratings

| Facilities | Amount (Rs. Crore) | Rating ¹ | Rating Action |
|---------------------------------------|--|---|---|
| Long Term Bank Facilities | 15.00 | CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Long Term/ Short Term Bank Facilities | 14.50 | CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B; Outlook: Stable/ A Four; ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total | 29.50 (Rupees Twenty-Nine Crore and Fifty Lakhs only) | | |

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated November 15, 2019, placed the ratings of Jayatma Industries Limited (JIL) under the 'issuer non-cooperating' category as JIL had failed to provide information for monitoring of the ratings and had not paid the surveillance fees for the rating exercise as agreed to in its rating agreement. CARE had further reviewed the ratings on the above bank facilities of JIL under the 'issuer non-cooperating' category vide its press release dated August 07, 2020. JIL continues to be non-cooperative despite repeated requests for submission of information through e-mail and a letter dated June 18, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. **Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

Detailed description of the key rating drivers

At the time of last rating on August 07, 2020, the following were the rating strengths and weaknesses: (updated based on best available information i.e. financial results for quarter and year ended March 31, 2021 published on stock exchange).

Key Rating Weaknesses

Weak financial risk profile marked by modest scale of operation and thin profitability: Total Operating Income (TOI) of the company grew by 33% on y-o-y basis and stood modest at Rs.155 crore during FY21 (A) as compared to Rs.117 crore during FY20 (A) backed by increased in cotton prices along with improved domestic and international demand of cotton in Q4FY21. Despite increased in TOI, its profitability continued to remain thin primarily on account of the company's presence in the lowest segment of the cotton textile value-chain with limited value addition. PBILDT margin of the company declined by 93 bps and stood thin at 1.52% during FY21 as compared to 2.45% in FY20 on account of increased in raw material prices. Despite decline in PBILDT margin, the PAT margin remained stable and thin at 0.15% in FY21 on account of decline in finance cost during the year. Moreover, the gross cash accruals (GCA) of the company grew by 23% on y-o-y basis however, it remained very low at Rs.0.53 crore during FY21. Due to thin profitability and very low GCA resulted into weak debt coverage indicators marked by Total Debt/ GCA of nearly 30 times and PBILDT interest coverage of 1.36 times in FY21.

Susceptibility of operating margins to volatile cotton prices: Raw cotton is the key raw material for ginning and pressing activities. Prices of raw cotton are highly volatile in nature. Cotton ginners usually procure raw materials in large volumes to bargain bulk discount from suppliers hence, the volatility in cotton price along with the high inventory requirements results in high susceptibility of operating margins to cotton price fluctuations.

Working capital intensive operations: Due to seasonal nature of business, JIL is required to keep minimum amount of inventory to serve the demand in non-season period. Apart from this, having low bargaining power with its reputed customers, JIL needs to extend high credit which further enhances the working capital requirement. Capital structure of the company continue to remain moderately leveraged marked by overall gearing ratio of 1.34 times as on March 31, 2021 largely on account of higher reliance on working capital borrowing to support the operation coupled with relatively small tangible net-worth.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

Presence in highly fragmented cotton ginning industry and government regulations: Cotton ginning business involves very limited value addition and is highly dominated by small and medium scale units resulting in highly fragmented nature of the industry. Moreover, the competition in the ginning industry remains stiff restricting the profitability margins. Furthermore, Government policies with regard to minimum support price (MSP) and export-import policy affect cotton prices.

Key Rating Strengths

Vast experience of promoters in the cotton ginning business: Mr. Nirav K Shah, Chief Executive Office & Director has over a decade of experience in the ginning industry, actively manages the routine operations of the company. The other directors of the JIL also have vast experience in the cotton ginning business and co-manage the business activities. The promoters are supported by a team of technically qualified and experienced professionals.

Strategically located manufacturing unit along with long standing relationship with reputed customers: The ginning facilities of JIL are located at Kadi in Mehsana District of Gujarat. Gujarat is one of the largest producers of cotton in India. JIL's presence in the cotton producing region results in benefit derived from a lower logistic expenditure, easy availability and procurement of raw materials at effective prices. Further, JIL has a long-standing relationship with some of the reputed clients which includes leading textile companies like Arvind Limited and Vardhaman Textile Limited. However, CARE does not have latest update on JIL's customer base.

Analytical Approach: Standalone

Applicable Criteria:

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook and Credit watch to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[CARE's methodology for manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)

About the Company

JIL was incorporated in September 1983, as a private limited company and subsequently got converted into public limited company in December 1994. JIL is engaged in cotton ginning and pressing with an installed capacity of 300 metric tonne per day (MTPD) along with the trading of raw cotton, ginned cotton bales, cotton yarn and cotton seeds. JIL has also set up an oil mill with 11 oil expellers having a combined installed capacity of 10 MTPD for manufacturing wash oil (raw oil) and de-oiled cakes (DOC). The manufacturing facilities of the company are located at Kadi, Gujarat. JIL has also installed a wind turbine generator of 0.80 Mega Watt at Jamnagar.

| Brief Financials (Rs. crore) | FY20 (Aud.) | FY21 (Aud.) |
|--|-------------|-------------|
| Total operating income | 116.59 | 155.34 |
| PBILDT | 2.86 | 2.36 |
| PAT | 0.18 | 0.23 |
| Overall gearing ratio (times) | 1.34 | 1.34 |
| PBILDT Interest coverage ratio (times) | 1.20 | 1.36 |

Status of non-cooperation with previous CRA: Brickwork vide its PR dated June 01, 2021 has put the rating of JIL under 'Issuer not cooperating' category since the company has failed to submit the requisite information as required by CRA.

Any other information: Not Applicable

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

Complexity level of various instruments rated for this company: Please refer Annexure - 3

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT/ ST-Bills discounting/ Bills purchasing | - | - | - | 14.50 | CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* |
| Fund-based - LT-Cash Credit | - | - | - | 15.00 | CARE B; Stable; ISSUER NOT COOPERATING* |

* Issuer not cooperating; based on best available information

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/ ST-Bills discounting/ Bills purchasing | LT/ ST | 14.50 | CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE B; Stable / CARE A4; ISSUER NOT COOPERATING * (07-Aug-20) | 1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING * (15-Nov-19) | 1)CARE BB-; Stable / CARE A4 (19-Feb-19) 2)CARE BB-; Stable / CARE A4 (20-Jul-18) |
| 2. | Fund-based - LT-Cash Credit | LT | 15.00 | CARE B; Stable; ISSUER NOT COOPERATING* | - | 1)CARE B; Stable; ISSUER NOT COOPERATING * (07-Aug-20) | 1)CARE B+; Stable; ISSUER NOT COOPERATING * (15-Nov-19) | 1)CARE BB-; Stable (19-Feb-19) 2)CARE BB-; Stable (20-Jul-18) |
| 3. | Fund-based - LT-Term Loan | LT | - | - | - | - | - | 1)Withdrawn (20-Jul-18) |

* Issuer did not cooperating; based on best available information

Annexure 3: Complexity level of various instruments rated for this company

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|---|------------------|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Fund-based - LT/ ST-Bills discounting/ Bills purchasing | Simple |

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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