Jai Gopal International Impex Private Limited

May 25, 2022

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	45.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	50.00 (Rs. Fifty Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking no default statement from Jai Gopal International Impex Private Limited (JGIIPL) to monitor the rating(s) vide e-mail communications dated May 5, 2022, May 16, 2022, May 18, 2022, etc. among others and numerous phone calls. However, despite our repeated requests, the company has not provided the no default statement 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 ratings on Jai Gopal International Impex Private Limited's bank facilities will now be denoted as **CARE BB+; Stable / CARE A4+; 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(s).

The ratings take into account the constraints relating to company's low profitability margins, foreign exchange fluctuation risk and presence in a highly competitive nature of industry. The ratings, however, draw comfort from experienced management coupled with long track record of operations, location advantage, growth in scale of operations, moderate capital structure and moderate operating cycle.

Detailed description of the key rating drivers

At the time of last rating on August 04, 2021, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Low profitability margins: The profitability margins of the company have been historically on the lower side owing to low value addition nature and highly competitive nature of industry. Further, high interest cost restricts the net profitability of the company. PBILDT margin of the company declined marginally and stood at 2.47% in FY21 as against 2.51% in FY20 owing to increase in overhead expenses such as employee cost. However, PAT margin improved and stood at 0.78% in FY21 as against 0.14% in FY20 on account of non-operating income generated from sale of plot.

Foreign exchange fluctuation risk: JGIIPL meets ~74% in FY21 (PY: 80% in FY20) of its procurement through imports from countries such as Malaysia, Germany, Ghana, New Zealand, Canada, China, Thailand, Taiwan, South Korea, etc. However, the traded goods are completely sold in the domestic market. With initial cash outlay for procurement in foreign currency and inflows in domestic currency, the company is exposed to the fluctuation in foreign exchange rates. Though, the foreign exchange fluctuation risk is partially mitigated through a natural hedge, however, in absence of any hedging policies adopted by the company, JGIIPL is exposed to fluctuations in the value of rupee against foreign currency which may impact its cash accruals. The risk is more evident now that the rupee has registered considerable volatility and could leave the company high carrying cost of inventory in case of sudden appreciation.

Presence in a highly competitive nature of industry: Timber trading business is characterized by high volumes and low margins. The timber trading sector is highly competitive, comprising a large number of players in the organized segment as a result of low entry barriers. This results in intense competition which has a cascading effect on the margins of the company.

Key Rating Strengths

Experienced management coupled with long track record of operations: Mr. Vijender Gupta and Mr. Jai Gopal Gupta are the directors of the company and they collectively look after the overall operations of the company. Mr. Vijender Gupta has accumulated vast experience of nearly three decades in trading and processing industry through his association with this entity. He is ably supported by Mr. Jai Gopal Gupta who has nearly a decade of experience in the industry through his association with the entity.

[1]Complete definitions of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.
*Issuer did not cooperate; Based on best available information

Location advantage: The company has warehouse in Kutch to supply the plywood, boards to Northern India. Proximity of the company's warehouse to the port of Kandla reduces the logistics issues associated with wood, which is a bulky commodity and also offers the advantage of lower freight costs.

Growth in scale of operations and moderate capital structure: The total operating income (TOI) of JGIIPL has increased to Rs.227.41 crore in FY21 from Rs.149.85 crore in FY20 reflecting a growth rate of 51.76% owing to addition of new product line (PVC resins) sales in their line of business.
The capital structure of the company improved and stood moderate as marked by overall gearing (Including Acceptances / Creditors on LC) ratio which stood at 1.26x as on March 31, 2021 as against 1.98x as on March 31, 2020 mainly on account of lower utilization of working capital borrowings as on balance sheet date coupled with accretion of profit to net reserves. The debt coverage indicators of the company also improved as marked by interest coverage ratio and total debt to GCA which stood at 1.51x and 19.40x respectively in FY21 as against 1.19x and 153.39x respectively in FY20. The improvement was mainly on account of higher PBILDT consequently leading into higher gross cash accruals.

Moderate operating cycle: The operating cycle of the company improved and stood at 16 days for FY21 as against 65 days for FY20 mainly on account of better management of inventory holding period and timely realization of its receivables. The company is required to maintain adequate inventory of traded goods of around 2-3 months on account of high lead time for procurement and to cater the immediate demands of its customers. Further, being in a highly competitive business, the company normally extends credit period of around 2 months to its customers resulting into average collection period of 48 days in FY21. The company had high payable period due to high proportion of LC-backed creditors since the company purchases mainly through imports backed by LC (normally up to 180 days). The high working capital requirements were met largely through bank borrowings which resulted in almost full utilization of its non-fund-based limits during past 12 month's period ending April, 2022. Further, the fund-based working capital limits remained around 55% utilized for the past 12 months period ending April, 2022.

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.1.91 crore during FY21 against nil repayment obligations. The working capital limit utilization is around 55% for past 12 months period ending April, 2022. Further, the company has low cash & bank balances which stood at Rs.0.45 crore as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Wholesale Trading

About the Company
Delhi based Jai Gopal International Impex Private Limited (JGIIPL) was incorporated in January, 1992. The company is currently managed by Mr. Vijender Gupta and Mr. Jai Gopal Gupta. The company is engaged in the trading and processing of timber wood logs. From April, 2020, the company has also started trading of PVC resins. The procurement of timber logs is mainly in the form of imports (74% in FY21) from Malaysia, Germany, Ghana, New Zealand, Canada, etc. while PVC resins gets imported from China, Thailand, Taiwan & South Korea. The processing facility of the company is located at Kutch, Gujarat. The company sells its products to wholesalers located in Uttar Pradesh, Delhi & Maharashtra. The company is having one associate concern namely; "Kriday Plywood Industries Private Limited" (incorporated in 2011) engaged in the manufacturing of plywood & laminates.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (Prov.)
Total operating income	149.85	227.41	NA
PBILDT	3.76	5.61	NA
PAT	0.21	1.77	NA
Overall gearing (times)	1.98	1.26	NA
Interest coverage (times)	1.19	1.51	NA

A: Audited; Prov.: Provisional; NA: Not 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 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-Cash Credit		-	-	-	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-Short Term		-	-	-	45.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; 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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (04-Aug-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE BB; Stable (27-Sep-19)
2	Fund-based/Non-fund-based-Short Term	ST	45.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (04-Aug-21)	1)CARE A4+; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE A4+ (27-Sep-19)

*Issuer did not cooperate; Based on best available information

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-Cash Credit	Simple
2	Fund-based/Non-fund-based-Short Term	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.

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About CARE Ratings Limited:
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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.

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