

APRIL 04, 2016

CARE ASSIGNS 'CARE B+/ CARE A4' THE RATINGS TO THE BANK FACILITIES OF JAI KARNI SUITINGS PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	10.60	CARE B+ (Single B Plus)	Assigned
Short-term Bank Facilities	0.40	CARE A4 (A Four)	Assigned
Total Facilities	11.00 (Rupees Eleven Crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Jai Karni Suitings Private Limited (JSPL) is primarily constrained on account of its modest scale of operations in the highly fragmented and competitive textile industry. The ratings are, further, constrained on account of thin profitability, moderately leveraged capital structure, stressed liquidity position and vulnerability of margins to fluctuation in the raw material prices.

The ratings, however, favourably take into account the experience of the promoters with long track record of operations in the textile industry and benefits derived from its presence in the textile cluster of Bhilwara. Further, the rating also factors in its established marketing and distribution network.

Improvement in the scale of operations while sustaining profitability margins in light of volatile raw material prices and improvement in the liquidity position are key rating sensitivities.

Background

Bhilwara based (Rajasthan) JSPL was incorporated in 1993 by Mr. Mahavir Jhanwar and Mr. Abhishek Jhanwar. Initially, JSPL is engaged in the business of trading of grey and finished fabrics where it gets finished fabrics on job work basis from other process house. Further, during FY15 (FY refers to the period from April 1 to March 31), JSPL took a project to install 12 rapier looms having installed capacity of 30 Lakh Meters Per month (LMPA) at a cost of Rs.12.03 crore to be financed through term loan of Rs.6.60 crore, share capital of Rs.2.60 crore, unsecured loans of Rs.2.48 crore and remaining through internal accruals. The project was completed in November 2015. The company markets its product through 100 dealers in all over India; major states are Uttar Pradesh (UP), Bihar, Haryana, Punjab, Madhya Pradesh (MP), Andhra Pradesh (AP), Rajasthan and Delhi. Further, JSPL procures raw material (cotton and synthetic yarn) from Rajasthan, Madhya Pradesh and Hyderabad.

The promoters has also promoted, Jai Karni Fabrics Private Limited (JKPL), which is engaged in the business of financing the firms located in Bhilwara and Jai Karni Yarns Agencies (JKY; Proprietor: Mr. Abhishek Jhanwar) which is engaged in the business of trading of yarns.

During FY15 (refers to the period April 1 to March 31), JSPL has reported a total operating income of Rs.23.67 crore (FY14: Rs.27.58 crore) with a PAT of Rs. 0.13 crore (FY14: Rs.0.11 crore).

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

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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