

Jai Karni Suitings Private Limited
 March 20, 2020

Ratings

Facilities/Instruments	Amount (Rs. Crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	11.72	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	“ISSUER NOT COOPERATING; Revised from CARE BB-; Stable (Double B Minus; Outlook:Stable) on the basis of best available information”
Short-term Bank Facilities	0.40	CARE A4;ISSUER NOT COOPERATNG (A Four)	“ISSUER NOT COOPERATING; Based on best available information”
Total	12.12 (Rupees Twelve Crore and twelve lakhs only)		

Details of facilities in Annexure-1

Detailed Rationale & Key rating Drivers

CARE has been seeking information from Jai Karni Suitings Private Limited (JSPL) to monitor the ratings vide e-mail communications dated January 08, 2020, January 15, 2020, January 21, 2020, February 06, 2020, March 03, 2020 and March 13, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. Further, VHPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on JSPL bank facilities will now be denoted as **CARE B+; Stable ISSUER NOT COOPERATING** and **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 revision in the ratings of Jai Karni Suitings Private Limited (JSPL) continue to remain primarily constrained on account of modest scale of operations and financial risk profile marked by weak solvency and working capital intensive nature of the business being stressed liquidity position. The ratings continue to remain constrained on account of highly fragmented nature of the textile industry leading to intense competition and vulnerability of margins to fluctuation in raw material prices. The ratings, however, continue to favourably take into account experienced management with long track record of operations in the textile industry, moderate profitability margins, established marketing and distribution network and presence in textile cluster of Bhilwara with ease access of job work and labour.

Detailed description of the key rating drivers

At the time of last rating on March 14, 2019, the following were the rating strengths and weaknesses(Updated for the information available of FY19 from MCA site)

Key Rating Weakness**Modest scale of operations**

During FY19, TOI of the company has improved by 17.15% over FY18 and remain modest at Rs 29.42 crore.

Financial risk profile marked by weak solvency and working capital intensive nature of the business

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

The capital structure of the company has improved from 2.20 times as on March 31, 2018 to 1.99 times as on March 31, 2019.

Further, the debt coverage indicator of the firm stood moderate with total debt to GCA stood at 6.94 times as on March 31, 2019, improved from 8.34 times as on March 31, 2018 mainly on account of more increase in GCA level.

The liquidity position of the firm remains working capital intensive with elongated operating cycle of 118 days in FY19 as against 112 days in FY18.

Highly fragmented nature of textile industry leading to intense competition and vulnerability of margins to fluctuation in raw material prices

Textile industry in India is highly fragmented and dominated by a large number of independent and small scale unorganized players leading to high competition among industry players. Smaller companies are more vulnerable to intense competition and have limited pricing flexibility, which constrains their profitability as compared to larger companies who have better efficiencies and pricing power considering their scale of operations. Further, due to fragmented nature of the industry, ability of the firm to pass on the increase in raw material prices to end customers is limited and is usually accompanied by a time lag. The profitability of JSPL thus remains susceptible to any adverse fluctuations in the raw material prices.

Key Rating Strengths

Experienced management with long track record of operations in the textile industry

JSPL was incorporated in the year 1993 and hence, has a track record of more than two decades in the industry. Mr. Mahavir Jhanwar, Director, has more than two decades of experience in the textile industry and looks after overall affairs of the company. He is assisted by Mr. Abhishek Jhanwar, director and has a decade of experience in the industry. Further, top management is assisted by its second tier management who manages the company. With the long standing experience in the textile industry the company has established relations with customers and suppliers.

Moderate profitability margins

The profitability of the company has deteriorated and stood moderate in FY19 with PBILDT and PAT margin of 12.92% and 2.66% respectively in FY19.

Established marketing and distribution network

Being present in the industry since 1993, JSPL has established a network of 100 dealers/distributors which are spread across India mainly in Uttar Pradesh (UP), Bihar, Haryana, Punjab, Madhya Pradesh (MP), Andhra Pradesh (AP), Delhi and Rajasthan. The company provides credit period of 40-70 days to the agents. With the dedicated marketing effort of Mr Abhishek Jhanwar, JSPL was able to garner reasonable revenue growth in the past. The established distribution network is expected to provide the required strength for the future growth.

Presence in textile cluster of Bhilwara with ease access of job work and labour

The manufacturing facility of the company is located at Bhilwara (Rajasthan) which is one of the largest textile clusters in India and majority of these industries are engaged in the manufacturing synthetic yarn accounting for nearly 40% of India's total synthetic yarn production and nearly 50% of India's total polyester fabrics and suiting production. JSPL's presence in the textile manufacturing region results in benefit derived from continuous business from the textile manufacturers, low transportation cost both on transportation and storage, easy availability of raw materials as well as skilled/unskilled labor and procurement of raw materials at effective prices.

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](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Bhilwara based (Rajasthan) Jai Karni Suitings Private Limited (JSPL) was incorporated in 1993 by Mr. Mahavir Jhanwar and Mr. Abhishek Jhanwar. JSPL is engaged in the business of manufacturing of men's suitings which JSPL get it done on job work basis from other process house. The company is also engaged in the business of trading of grey and finished fabrics. The company has total installed capacity of 60 LMPA as on March 31, 2018. 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.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	25.11	29.42
PBILDT	3.34	3.80
PAT	0.64	0.78
Overall gearing (times)	2.21	1.99
Interest coverage (times)	2.17	2.50

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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

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-Term Loan	-	-	October, 2025	7.72	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	4.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - ST- Standby Line of Credit	-	-	-	0.40	CARE A4; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	7.72	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (14-Mar-19)	1)CARE BB-; Stable (26-Mar-18)	1)CARE B+; Stable (22-Mar-17) 2)CARE B+ (04-Apr-16)
2.	Fund-based - LT-Cash Credit	LT	4.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not	-	1)CARE BB-; Stable (14-Mar-19)	1)CARE BB-; Stable (26-Mar-18)	1)CARE B+; Stable (22-Mar-17) 2)CARE B+

				cooperating; Revised from CARE BB-; Stable on the basis of best available information				(04-Apr-16)
3.	Fund-based - ST- Standby Line of Credit	ST	0.40	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (14-Mar-19)	1)CARE A4 (26-Mar-18)	1)CARE A4 (22-Mar-17) 2)CARE A4 (04-Apr-16)

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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