

Jai Karni Suitings Private Limited
March 26, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	13.08	CARE BB-; Stable (Double B Minus; Outlook : Stable)	Revised from CARE B+; Outlook Stable (Single B Plus; Outlook : Stable)
Short-term Bank Facilities	0.40	CARE A4 (A Four)	Reaffirmed
Total	13.48 (Rupees Thirteen crore and forty eight lakhs only)		

Detailed Rationale & Key Rating Drivers

The revision in rating of Jai Karni Suitings Private Limited (JSPL) is mainly on account of improvement in Total Operating Income (TOI) in FY17 (FY refers to the period from April 1 to March 31), and continuous improvement in profitability margins.

The ratings of Jai Karni Suitings Private Limited (JSPL) continue to remain constrained on account of its moderate capital structure and moderate liquidity in a highly fragmented nature of 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 the experienced management with long track record of operations in the textile industry and infusion of share capital with strong group support and Established marketing and distribution network coupled with presence in textile cluster of Bhilwara with ease access of job work and labour.

The ability of JSPL to continuously improve its scale of operations with improvement in solvency position and better management of working capital are the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating Weaknesses****Working Capital intensive nature of operations**

Liquidity as indicated by current ratio remained moderate at 1.60 times as on March 31, 2017, however, quick ratio remained below unity at 0.95 times as on March 31, 2017 due to higher inventory holding. During FY17, the operating cycle stood elongated at 99 days as against 96 days in FY16, mainly on account of higher inventory as well as higher collection period. The average fund-based working capital utilization also remained 75-80% during the last 12 months ended February, 2018.

Key Rating Strengths**Improvement in Total Operating Income (TOI)**

With successful completion of project of capacity enhancement from 30 LMPA to 60 LMPA, TOI of the company has improved by 13.38% over FY16. The company registered TOI of Rs.24.31 crore as against Rs. 21.45 crore mainly due to increase in job work receipts.

Continuous improvement in profitability margins

The profitability of the company stood comfortable with PBILDT and PAT margin of 11.45% and 2.20% respectively in FY17. PBILDT margin has improved significantly by 465 bps in FY17 over FY16 owing to higher job work income. In line with improvement in PBILDT margin, PAT margin has also improved by 100 bps in FY17 over FY16. GCA level of JSPL has also increased by 111.68% in FY17.

Moderate Capital structure

The capital structure of the company has remained leveraged at 2.49 times as on March 31, 2017, improved from 3.45 times as on March 31, 2016 mainly on account of accretion of profits to general reserves and schedule repayment of term loan which offset to some extent with higher utilization of working capital bank borrowings. Further, debt service

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

coverage indicators stood moderate with total debt to GCA stood at 9.54 times as on March 31, 2017, improved from 20.74 times as on March 31, 2016. Further, interest coverage stood moderate at 1.79 times in FY17.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[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 30 LMPA as on March 31, 2017. 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	21.45	24.31
PBILDT	1.46	2.78
PAT	0.26	0.53
Overall gearing (times)	3.45	2.49
Interest coverage (times)	1.65	1.79

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

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

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

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating/outlook 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.

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	-	-	-	9.08	CARE BB-; Stable
Fund-based - LT-Cash Credit	-	-	-	4.00	CARE BB-; Stable
Fund-based - ST-Standby Line of Credit	-	-	-	0.40	CARE A4

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	9.08	CARE BB-; Stable	-	1)CARE B+; Stable (22-Mar-17) 2)CARE B+ (04-Apr-16)	-	-
2.	Fund-based - LT-Cash Credit	LT	4.00	CARE BB-; Stable	-	1)CARE B+; Stable (22-Mar-17) 2)CARE B+ (04-Apr-16)	-	-
3.	Fund-based - ST-Standby Line of Credit	ST	0.40	CARE A4	-	1)CARE A4 (22-Mar-17) 2)CARE A4 (04-Apr-16)	-	-

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