

Jai Sakthi Mills
 October 21, 2020
Rating

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	35.62	CARE B; ISSUER NOT COOPERATING* (Single B ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B+; ISSUER NOT COOPERATING* (Single B Plus ISSUER NOT COOPERATING*) on the basis of best available information
Total Facilities	35.62 (Rs. Thirty-Five Crore and Sixty-Two Lakhs Only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 20, 2019, placed the rating(s) of Jai Sakthi Mills (JSM) under the 'Issuer non-cooperating' category as JSM had failed to provide information for monitoring of the rating. JSM continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated October 06, 2020. 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.

The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by JSM with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on August 20, 2019 the following were the rating strengths and weaknesses:

Key Rating Weakness***Decline in PBILD margin albeit increase in total income***

The PBILD margins of the firm declined by 598 bps from 15.54% in FY15 (refers to the period April 1 to March 31) to 9.56% in FY16 due to increase in the number of orders undertaken with low profit margins and increase in the raw material cost. However, the total operating income of the firm increased by 42.88% from Rs.67.33 crore in FY15 to Rs.96.20 crore in FY16.

Working capital intensive nature of operations

The operating cycle of the firm increased from 63 days in FY15 to 84 days in FY16 due to increase in inventory days from 80 days in FY15 to 97 days in FY16.

Profitability susceptible to volatile raw material prices

The yarn manufacturing sector is exposed to the price risk of raw material (cotton). Yarn units are required to keep stock of sufficient cotton inventory to meet the demand. These units also tend to purchase cotton when the prices are relatively favourable and build up the stock. This results in the need to fund the pile up inventory. Also, given the commoditized nature of cotton and the regulations around the import/export of the same, based on the demand and supply dynamics, cotton prices tend to move sharply. Hence, units which have purchased cotton at relatively higher cost, incur losses on the inventory when prices fall sharply, owing to slowdown in demand for cotton and yarn as well as due to supply glut of cotton. Given the absence of prior experience in the textile industry, JSM is further exposed to this risk as the management needs to take calculated procurement decisions.

Partnership nature of entity

Partnership nature of business has an inherent risk of withdrawal of capital at the time of personal contingency. The firm also has the risk of business being discontinued upon the death/insolvency of the partners. The ability to raise funds is also very low as partnership firms have restricted access to external borrowings.

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

Key rating strengths**Moderate capital structure**

The overall gearing of the firm improved from 1.63x in FY15 to 1.24x in FY16 due to increase in net worth from Rs.18.37 crore as on March 31, 2015, in to Rs.25.04 crore as on March 31, 2016, due to accretion of profits and infusion of capital by the partners.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology -Manufacturing Sector](#)

About the Firm

JSM is a partnership concern established in April 2010, for production of yarn and cloth in Sullur, Coimbatore, Tamil Nadu. JSM has 10 partners, all belonging to same family. In FY14, the firm has added 7 more partners from the own family in order to infuse more capital to support the operations. Although established in April 2010, JSM commenced its commercial production of yarn and cloth from June 2012. The installed capacity of the firm as on March 31, 2015, is 18,000 spindles. The firm has 15 ring-frames with 1200 spindles. The entire cloth manufacturing is completely outsourced to other units wherein the yarn is supplied by JSM. JSM produces yarn varieties in the count of 25s, 30s and 34s semi-combed hosiery yarn, which are used in making cloth which is finally used in the making of men's vests and T-Shirts.

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)
Total operating income	67.33	96.20
PBILDT	10.46	9.20
PAT	-0.02	0.11
Overall gearing (times)	1.63	1.24
Interest coverage (times)	3.33	0.02

A: Audited;

Status of non-cooperation with previous CRA: Brickwork ratings has conducted the review on the basis of best available information and has classified Jai Sakthi Mills as "Not Cooperating" vide its press release dated Aug 20, 2019.

Any other information: Not Applicable

Rating History (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	-	-	Dec 2017	3.77	CARE B; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	Jan 2017	0.03	CARE B; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	Feb 2018	0.12	CARE B; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE B; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantees	-	-	-	0.91	CARE B; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	Feb 2022	8.05	CARE B; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	Mar 2022	2.74	CARE B; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	L T	3.77	CARE B; ISSUER NOT COOPERATING *	-	1)CARE B+; ISSUER NOT COOPERATING * (20-Aug-19)	1)CARE B+; ISSUER NOT COOPERATING * (06-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING * (23-May-17)
2.	Fund-based - LT-Term Loan	L T	0.03	CARE B; ISSUER NOT COOPERATING *	-	1)CARE B+; ISSUER NOT COOPERATING * (20-Aug-19)	1)CARE B+; ISSUER NOT COOPERATING * (06-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING * (23-May-17)
3.	Fund-based - LT-Term Loan	L T	0.12	CARE B; ISSUER NOT COOPERATING *	-	1)CARE B+; ISSUER NOT COOPERATING * (20-Aug-19)	1)CARE B+; ISSUER NOT COOPERATING * (06-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING * (23-May-17)
4.	Fund-based - LT-Cash Credit	L T	20.00	CARE B; ISSUER NOT COOPERATING *	-	1)CARE B+; ISSUER NOT COOPERATING * (20-Aug-19)	1)CARE B+; ISSUER NOT COOPERATING * (06-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING * (23-May-17)
5.	Non-fund-based - LT-Bank Guarantees	L T	0.91	CARE B; ISSUER NOT COOPERATING *	-	1)CARE B+; ISSUER NOT COOPERATING * (20-Aug-19)	1)CARE B+; ISSUER NOT COOPERATING * (06-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING * (23-May-17)
6.	Fund-based - LT-Term Loan	L T	8.05	CARE B; ISSUER NOT COOPERATING *	-	1)CARE B+; ISSUER NOT COOPERATING * (20-Aug-19)	1)CARE B+; ISSUER NOT COOPERATING * (06-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING * (23-May-17)
7.	Fund-based - LT-Term Loan	L T	2.74	CARE B; ISSUER NOT COOPERATING *	-	1)CARE B+; ISSUER NOT COOPERATING * (20-Aug-19)	1)CARE B+; ISSUER NOT COOPERATING * (06-Jul-18)	1)CARE BB-; ISSUER NOT COOPERATING * (23-May-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - LT-Bank Guarantees	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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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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