Jayatma Industries Limited
(erstwhile Santaram Spinners Limited)

February 19, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	15.00	**CARE BB-; Stable (Double B Minus; Outlook: Stable)**	**Reaffirmed**
Long Term/ Short Term Bank Facilities	14.50	**CARE BB-; Stable/ CARE A4 (Double B Minus; Outlook: Stable/ A Four)**	**Reaffirmed**
Total	**29.50 (Rupees Twenty Nine Crore and Fifty Lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The ratings assigned to the bank facilities of Jayatma Industries Limited (JIL, erstwhile Santaram Spinners Limited) continue to remain constrained on account of its thin profitability due to limited value addition in the cotton ginning business, working capital intensive operations, susceptibility of its operating margin to volatile cotton prices and its presence in highly fragmented cotton ginning industry coupled with impact of changes in government policy on cotton.

The ratings, however, favorably take into consideration the vast experience of the promoters in the cotton ginning business, growth in total operating income during FY18 (Audited; refer period April 01, 2017 to March 31, 2018) and 9MFY19 and continuous improvement in capital structure ratios over past three years ended FY18, JIL's strategic location within the cotton producing region of Gujarat and its association with reputed clientele.

JIL's ability to increase its scale of operations while efficiently managing its working capital requirements along with the improvement in the profitability would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Thin profitability margin: The profitability margin continued to remain thin primarily on account of the company's presence in the lowest segment of the cotton textile value-chain with limited value addition. During FY18, the PBILDT margin declined marginally by 41 bps over FY17 and remained thin. The profitability margins impacted during the year largely due to change in revenue mix with higher proportion of trading revenue in total operating income. Further, during 9MFY19, the profitability marked by PBILDT and PAT margins continues to remain thin at 2.10% and 0.36% respectively.

Susceptibility of operating margins to volatile cotton prices: Raw cotton is the key raw material for ginning and pressing activities. Prices of raw cotton are highly volatile in nature. Cotton ginners usually procure raw materials in large volumes to bargain bulk discount from suppliers hence, the volatility in cotton price along with the high inventory requirements results in high susceptibility of operating margins to cotton price fluctuations.

Working capital intensive operations: Due to seasonal nature of business, JIL is required to keep minimum amount of inventory to serve the demand in non-season period. Apart from this, having low bargaining power with its reputed customers, JIL needs to extend high credit which further enhances the working capital requirement. Although, the working capital cycle improved during FY18 due to realization of inventory coupled with increased in scale of operation, the liquidity indicators continue to remain moderate. Moreover, JIL had debtor outstanding for more than 6 months of Rs.5.37 crore as on March 31, 2018 which further impacts the liquidity of the company.

Presence in highly fragmented cotton ginning industry and government regulations: Cotton ginning business involves very limited value addition and is highly dominated by small and medium scale units resulting in highly fragmented nature of the industry. Moreover, the competition in the ginning industry remains stiff restricting the profitability margins. Furthermore, Government policies with regard to minimum support price (MSP) and export-import policy affect cotton prices.

Key Rating Strengths

Vast experience of promoters in the cotton ginning business: Mr. Kalyan J Shah, the Chairman & Managing Director has more than two decades of experience in the ginning industry, actively manages the routine operations of the company.

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

The other directors of the JIL also have vast experience in the cotton ginning business and co-manage the business activities. The promoters are supported by a team of technically qualified and experienced professionals.

Growth in total operating income along with continuous improvement in capital structure ratios: Total operating income of JIL grew by 34% during FY18 on y-o-y basis primarily on account of increase in trading sales of cotton bales and yarn along with effect of demonetization waning out. Despite growth in total operating income, the scale of operation of JIL continues to remain modest and volatile backed by volatile cotton prices. Further, JIL recorded a growth of 6.51% in total operating income during 9MFY19 (UA) compared to 9MFY18 (UA).
The capital structure of the company marked by an overall gearing ratio improved continuously over past three years from 2.24 times as on March 31, 2016 to 1.62 times as on March 31, 2018 largely due to lower utilization of working capital limits. Although, despite improvement in capital structure ratio, it continue to remained moderate due to low capital base.

Strategically located manufacturing unit along with long standing relationship with reputed customers: The ginning facilities of JIL are located at Kadi in Mehsana District of Gujarat. Gujarat is one of the largest producers of cotton in India. JIL's presence in the cotton producing region results in benefit derived from a lower logistic expenditure, easy availability and procurement of raw materials at effective prices. Further, JIL has a long standing relationship with some of the reputed clients which includes leading textile companies like Arvind Limited and Vardhaman Textile Limited.

Analytical Approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
CARE's methodology for manufacturing companies
Financial ratios – Non-Financial Sector

About the Company
Santaram Spinners Limited was incorporated in September 1983 as a private limited company and subsequently got converted into public limited company in December 1994. Moreover as on November 16, 2018, name of company changed to JIL. JIL is engaged in cotton ginning and pressing with an installed capacity of 300 metric tonne per day (MTPD) along with the trading raw cotton, ginned cotton bales, cotton yarn and cotton seeds. JIL has also set up an oil mill with eleven oil expellers having an installed capacity of 10 MTPD for manufacturing raw oil and de-oiled cakes. The manufacturing facilities of the company are located at Kadi, Gujarat. JIL has also installed a wind turbine generator of 0.80 Mega Watt at Jamnagar.

Brief Financials (Rs. crore)	FY17 (Aud.)	FY18 (Aud.)
Total operating income	105.19	141.35
PBILDT	2.25	2.44
PAT	0.19	0.22
Overall gearing ratio (times)	1.81	1.62
PBILDT Interest coverage ratio (times)	1.45	1.45

- During 9MFY19, as per un-audited results, JIL reported a net profit of Rs.0.40 crore on total operating income of Rs.109.70 crore as against Rs.0.06 crore and Rs.103.00 crore during 9MFY18 respectively.

Status of non-cooperation with previous CRA: Not Applicable
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.*

Analyst Contact:
Name: Mr. Krunal Modi
Tel: 079-40265614
Mobile: +91-8511190084
Email: krunal.modi@careratings.com

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

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.

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/ ST-Bills discounting/ Bills purchasing	-	-	-	14.50	CARE BB-; Stable / CARE A4
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE BB-; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (20-Jul-18)	1)CARE B+; Stable (25-Sep-17)	1)CARE B+; Stable (18-Jan-17)	1)CARE B+ (23-Feb-16)
2.	Fund-based - LT/ ST-Bills discounting/ Bills purchasing	LT/ ST	14.50	CARE BB; Stable / CARE A4	1)CARE BB-; Stable / CARE A4 (20-Jul-18)	1)CARE B+; Stable / CARE A4 (25-Sep-17)	1)CARE B+; Stable / CARE A4 (18-Jan-17)	1)CARE B+ / CARE A4 (23-Feb-16)
3.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable	1)CARE BB-; Stable (20-Jul-18)	1)CARE B+; Stable (25-Sep-17)	1)CARE B+; Stable (18-Jan-17)	1)CARE B+ (23-Feb-16)

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

Ms.Rashmi Narvankar
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +9185111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691