

Loknaya Jayprakash Narayan Shetkari Sahakari Soot Girni Limited

June 01, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	50.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B+;Stable (Single B Plus; Outlook: Stable) on the basis of best available information
Total Facilities	50.00 (Rs. Fifty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 22, 2019, placed the rating of Loknaya Jayprakash Narayan Shetkari Sahakari Soot Girni Limited (LJNSGL) under the 'Issuer non-cooperating' category as LJNSGL had failed to provide information for monitoring of the rating. LJNSGL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated May 18, 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(s).

The ratings have been revised on account of non-availability of any latest financial as well as operational information and also no information regarding the impact of lock-down post outbreak of COVID-19 in India, on the operations of the society.

Detailed description of the key rating drivers

At the time of last rating on March 22, 2019 the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Modest scale of operation with low profit margins

The society was established as a cooperative society in the year 1979. Despite being in the business for about four decades, the scale of operation has remained modest as reflected by total operating income of Rs.219.39 crore during FY18 (Unaudited). PAT margin remained low and stood 0.22% during FY18 (Unaudited) owing to limited value addition nature of operations.

Leveraged capital structure and weak debt coverage indicators

The total debt of the society was Rs. 142.22 crore as on March 31, 2018 (Unaudited) as against the tangible net worth of Rs. 47.34 crore as on March 31, 2018(unaudited) resulting in leveraged capital structure for the firm as marked by the overall gearing of 3.00x as on March 31, 2018 (Unaudited) (as against 2.61x as on March 31, 2017). Moreover, due to low profitability and high gearing levels, the debt coverage indicators of the society were also weak as reflected by interest coverage ratio of 1.26x and total debt to GCA of 43.99x as at the end of FY18 (Unaudited).

Working capital intensive nature of operations

The operations of the society remained working capital intensive owing to seasonality associated with availability of raw material. The working capital requirements of the society are met by the working capital limits facility and the average utilization of the limit remains on a moderate side in the peak season (October to May).

Susceptibility to adverse changes in government regulations and climatic condition

The price of raw cotton is highly volatile in nature owing to its seasonal nature and the price is regulated through function of MSP by the government along with export of cotton. Hence, any adverse change in government policy and climatic condition may negatively impact the prices of raw cotton in domestic market and could result in lower realizations and profit for LJNSGL.

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

Presence in seasonal and fragmented industry

Operation of cotton business is highly seasonal in nature, as the spreading season is from March to July and the harvesting season is spread from November to February. Furthermore, the cotton industry is highly fragmented with large number (approx. 80%) of players operating in the unorganized sector. Hence, LJNSGL faces stiff competition from other players operating in the same industry, which further result in its low bargaining power against its customers.

Key Rating Strengths

Long operational track record of the society along with experienced and qualified management

Established in December 1979, LJNSGL has a long track record of almost four decades in the cotton spinning sector. The society has developed an established network and business relations with customers and suppliers over its years. The society is currently managed by Mr Deepak P Patil in the strength of Chairman who has an experience of more than two and a half decades in textile spinning industry and sugar business and Mr. R.D. Patil (Managing Director) who has more than three and a half decades of experience in textile spinning industry with adequate support from other members of the society.

Locational advantage emanating from proximity to raw material

The manufacturing facility of the society is located at Maharashtra, which is the second highest producer of cotton. Hence, raw material is available in adequate quantity. Furthermore, the presence of LJNSGL in cotton producing region also fetches a location advantage of lower logistics expenditure.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning 'outlook' and 'credit watch'](#)

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

[Rating Methodology for Cotton Textile Manufacturing](#)

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

About the Company

Nandurbar (Maharashtra) based Loknaya Jayprakash Narayan Shetkari Sahakari Soot Girni Limited (LJNSGL) was established as a cooperative society in the year 1979, promoted by Late Shri P.K. Anna Patil. The society has a total of 22 members. The society is engaged in the business of manufacturing of cotton yarn at its manufacturing facilities (two units) located at Nandurbar, Maharashtra, having an aggregate installed capacity of 56,880 spindles per annum. Apart from this, the society is also engaged in ginning and pressing unit for captive consumption to manufacture cotton yarn; for which the society usually procures the raw material (raw cotton and cotton bales) from the domestic market and also from the farmers based out in Nandurbar. The company markets its products under the brand name of "Jay Soot" and further sells its products to power looms and cloth manufacturers.

Brief Financials (Rs. crore)	FY17 (A)	FY18 U(A)
Total operating income	283.02	219.39
PBILDT	8.32	14.31
PAT	0.26	0.48
Overall gearing (times)	2.61	3.00
Interest coverage (times)	1.68	1.27

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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-Working Capital Limits	-	-	-	50.00	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information

*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-Working Capital Limits	LT	50.00	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Mar-19) 2)CARE B+; Stable (05-Apr-18)	-

*Issuer did not cooperate; Based on best available information

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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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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