



SMERA RATINGS LIMITED

Javi Home Private Limited (JHPL)

*Rating
Rationale*

May 07, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|-----------------------|--------------------|---|
| Term Loan | 45.00 | SMERA B/Stable (Suspension Revoked; Rating Assigned from BB-/Stable) |
| Export Packing Credit | 18.00 | SMERA A4 (Suspension Revoked; Rating Assigned) |
| Foreign Bill Purchase | 7.00 | SMERA A4 (Suspension Revoked; Rating Assigned) |

SMERA has revoked the suspension of ratings assigned to the Rs.70.00 crore bank facilities of Javi Home Private Limited (JHPL). The suspension was done on February 25, 2015 in the absence of requisite information for the surveillance process. However, the company has now shared the required information with SMERA. Subsequently, SMERA has assigned the long-term rating on the Rs.45.00 crore bank facility of JHPL to '**SMERA B**' and '**SMERA A4**'. The outlook on the long-term rating is '**Stable**'.

The ratings are supported by the company's experienced management and healthy order book position. The ratings also draw comfort from the improvement in the company's operating profit margin. However, the ratings are constrained by the company's weak financial risk profile. The ratings note that the company's profit margins are susceptible to volatility in raw material prices. The ratings are also constrained by the company's exposure to intense competition.

JHPL, established in 2010, is a Panipat-based company engaged in manufacturing and export of carpets and mink blankets. JHPL benefits from its experienced management. Mr. Vibhor Jain and Mrs. Neeti Jain, promoters of JHPL, have around 10 years of experience in the textile industry. JHPL has a healthy order book position with pending orders of Rs.300.00 crore, which are likely to be executed in the next 12 months. The company's operating profit margin has improved to 12.18 per cent in FY2013-14 (refers to financial year, April 01 to March 31) from 7.35 per cent in FY2012-13.

JHPL's weak financial risk profile is reflected in high gearing (total debt to tangible net worth ratio) of 4.18 times as on March 31, 2014. The company's profit margins are susceptible to volatility in prices of raw materials (yarn and polyester fibre). JHPL faces intense competition from several players in the textile industry.

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Javi Home Private Limited (JHPL)

Outlook: Stable

SMERA believes JHPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving significant improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected profit margins, or in case of deterioration in the company's financial risk profile.

About the company

JHPL, incorporated in 2010, is a Panipat-based company promoted by Mr. Vibhor Jain and Mrs. Neeti Jain. JHPL undertakes manufacturing and export of carpets and mink blankets. The company has a factory unit in Karnal, Haryana.

For FY2013-14, JHPL reported profit after tax (PAT) of Rs.1.28 crore on operating income of Rs.98.27 crore, as compared with PAT of Rs.1.36 crore on operating income of Rs.54.71 crore in FY2012-13. The company's net worth stood at Rs.20.53 crore as on March 31, 2014, as compared with Rs.13.42 crore a year earlier.

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