

Press Release

25 April, 2017

Jwalaji Industries Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.16.79 Cr
Long Term Rating	SMERA B/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 16.79 crore bank facilities of Jwalaji Industries Private Limited. The outlook is '**Stable**'.

Incorporated in 2011, Jwalaji Industries Private Limited (JIPL) has undertaken a project to manufacture grey fabrics at Surat. The company was promoted by Mr.Rajesh Prahladka and Mr Sanjay Kejriwal who possess over two decades of experience in the textile industry. The proposed installed capacity is 922,000 meters per month. The total project cost is Rs 20.12 cr to be financed through term loan of Rs 12.54 cr, equity of Rs 4.82 cr and the balance through unsecured loan. The commercial operations are expected to commence from July 2017.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Rajesh Prahladka and Mr. Sanjay Kejriwal have over two decades of experience in the textile industry.

- **Proximity to raw materials**

Since the manufacturing facility is located at Surat, an important textile hub, JIPL is likely to benefit from the proximity to raw material source.

Weaknesses

- **Stabilisation and implementation risk**

JIPL is exposed to implementation and stabilisation risk associated with the project. Currently JIPL is in the process of installing its plant and machinery which is likely to be completed by June 2017. The operations are expected to commence from July 2017.

- **Susceptibility of margins to volatility in raw material prices**

Prices of cotton, an agri-commodity fluctuates from time to time which puts pressure on profit margins.

- **Intense competition**

JIPL is exposed to intense market competition in the textile industry.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of JIPL

Outlook: Stable

SMERA believes that JIPL will maintain a stable outlook over the medium term owing to its experienced management and presence in the textile hub of Gujarat. The outlook may be revised to 'Positive' in case the company commences operations as scheduled while registering projected sales and profitability margins achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of implementation delays, lower than projected sales and profitability or fall in its capital structure. Any lengthening of working capital cycle may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

The company is yet to commence operations.

Status of non-cooperation with previous CRA (if applicable)

CARE in its press release dated December 30, 2016 inter alia has stated the following 'CARE has suspended, with immediate effect, the ratings assigned to the bank facilities of Jwalaji Industries Private Limited. The ratings have been suspended, as the company has not furnished the information required by CARE for monitoring of the rating.'

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.25	SMERA B/ Stable
Term Loan	Not Applicable	Not Applicable	30Aug2024	12.54	SMERA B/Stable

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ABOUT SMERA

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