

Press Release

Jwalaji Industries Private Limited

July 05, 2018



Rating Downgraded

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

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) from '**ACUITE B**' (**read as ACUITE 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) is a Surat based company promoted by Mr. Rajesh Prahladka and Mr. Sanjay Kejriwal. The company commenced its operations in August, 2017 and manufactures polyester based grey fabrics. The manufacturing unit has an installed capacity of 9, 22,000 meters per month. JIPL is also involved in trading of polyester yarns.

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 by virtue of their association with Arti Silk Mill Private Limited (incorporated in 2008) and Surya Industries Private Limited (incorporated in 2008). The company further enjoys the advantage of being located at Kejriwala Integrated Textile Park, Surat giving them easy access to raw material sources (partially oriented yarns (POY)).

Weaknesses

- **Below average financial risk profile**

JIPL exhibits below average financial risk profile as reflected by its modest net worth, high gearing and modest debt protection measures. The net worth stood at Rs 6.81 Crore as on 31st March, 2018 (provisional) as against 6.20 Crore as on March 31st, 2017. The gearing deteriorated to 3.04 times as on 31st March, 2018 (provisional) from 0.39 times as on March 31st, 2017 on account of capex undertaken. The company had undertaken project to manufacture grey fabrics with an installed capacity of 9, 22,000 meters per month. The project cost stands at Rs 22.12 Crore funded via bank borrowings of Rs 12.54 Crore, equity infusion of Rs 4.82 Crore and balance (Rs 4.76 Crore) through unsecured loans. The debt protection metrics remained modest with interest coverage ratio of 1.93 times in FY2018(provisional) with Further, the net cash accrual to total debt (NCA/TD) remained low at 0.06 times in FY2018. Going forward, the company's ability to generate sufficient revenue to meet its debt obligation will remain a key rating sensitivity monitorable.

- **Nascent stage of operations**

The firm commenced its operations in August 2017 and registered operating revenue of Rs. 8.58 crore in FY2018. ACUITE believes that the firm's ability to scale up operations will remain a key rating sensitivity factor.

Analytical Approach

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

Outlook: Stable

ACUITE 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 registers improvement in its revenue profile. Conversely, the outlook may be revised to

'Negative' in case of lower than projected sales or deterioration of its capital structure. Any lengthening of working capital cycle may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY16 (Actual)	FY15 (Actual)	FY14 (Actual)
Operating Income	Rs. Cr.	8.58	-	-
EBITDA	Rs. Cr.	2.36	(0.02)	(0.03)
PAT	Rs. Cr.	0.20	(0.01)	(0.02)
EBITDA Margin	(%)	27.57	-	-
PAT Margin	(%)	2.34	-	-
ROCE	(%)	8.47	(0.21)	(0.56)
Total Debt/Tangible Net Worth	Times	3.04	0.39	1.17
PBDIT/Interest	Times	1.93	(25.57)	(611.57)
Total Debt/PBDIT	Times	8.05	(156.78)	(131.83)
Gross Current Assets (Days)	Days	363	-	-

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Apr-2017	Cash Credit	Long Term	INR 4.25	ACUITE B / Stable
	Term Loan	Long Term	INR 12.54	ACUITE B / Stable

*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	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	30-Aug-2024	12.54	ACUITE B- / Stable

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About Acuité Ratings & Research:

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