

## Press Release

**JP Modatex LLP**

**21 March, 2018**

**Rating Assigned**



<b>Total Bank Facilities Rated</b>	75.60
<b>Long Term Rating</b>	SMERA BB+ /Positive
<b>Short Term Rating</b>	SMERA A4+

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 75.60 crore bank facilities of JP Modatex LLP (JPM). The outlook is '**Positive**'.

JPM, part of the Samosaran Group, was incorporated in 2015 by Mr. Jindas P Jain and Mr. Rakesh Kumar Sharma. The firm is engaged in the manufacturing of premium yarn (blended viscose modal, linen yarn among others) of various counts at Silvassa, Gujarat. The installed capacity stands at 17280 spindles. Plans are on to expand capacity to 34560 spindles at an estimated cost of Rs. 35.50 crore.

### Strength

#### **Experienced management and healthy business profile**

JPM was incorporated in 2015 by Mr. Jindas P Jain and Mr. Rakesh Kumar Sharma, the third generation entrepreneurs. The firm is part of the Samosaran Group established in 1948. The aforementioned are part of the textile industry since 1980. The firm caters to a reputed customer base including Bombay Rayon Fashion limited, Mandhana Weaving House, Yogesh Corporation and Reynold Shirting Limited.

The commercial operations commenced in October 2016. The firm registered healthy revenues from April to December 2017 (Provisional) of Rs. ~63.00 crore as against Rs.38.03 crore in FY2017 and Rs. 9.09 crore in FY2016.

SMERA believes that the firm will sustain its existing business profile backed by its experienced management and established customer relations with reputed customers over the near to medium term.

### Weaknesses

#### **Debt funded capex plan**

JPM has undertaken capex of Rs. 35.50 crore to enhance annual capacity of spindles to 34,560 from the existing 17280 spindles through a term loan of Rs. 26.60 crore and promoters' contribution of Rs. 8.90 crore. The firm will be procuring machinery worth Rs.35.50 crore from ITEMA Italy, Truetzschler India Pvt Ltd, Ahmedabad and Coimbatore. The operations are expected to commence from October 2018.

SMERA believes that installation of machinery on time as envisaged, commencing production and generating sufficient net cash accruals for repayment of debt obligation would be key rating sensitivities.

### **Moderate financial risk profile**

The firm has moderate financial risk profile marked by net worth of Rs.27.06 crore as on 31 March, 2017 (includes unsecured loans of Rs.20.27 crore considered as quasi equity) as against Rs. 10.17 crore as on 31 March, 2016. The Interest Coverage Ratio stood at 0.93 times in FY2017 as against 2 times in FY2016. The total debt of Rs.32.86 crore outstanding as on 31 March, 2017 comprises Rs.19.55 crore of long term debt and Rs.13.31 crore of short term debt. The DSCR stood at 1.39 times in FY2017 as against 2.00 times in FY2016.

The net cash accruals stood at Rs. 0.71 crore in FY2017 and Rs. 0.14 crore in FY2016.

### **Analytical Approach**

SMERA has considered the standalone business and financial risk profile of JP Modatex LLP to arrive at the rating.

### **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>

### **Outlook – Positive**

SMERA believes that JPM's business risk profile is likely to improve over the medium term driven by steady revenue growth and improvement in profitability margins on the back of foray into higher margin products. The company is also expected to maintain its financial risk profile over the medium term. The ratings may be upgraded if the company achieves anticipated revenues and profitability without corresponding deterioration in its liquidity profile. Conversely, the outlook may undergo a change in case of a lower-than-expected revenues and profitability margins, or deterioration in its capital structure and liquidity position.

### **About the Rated Entity – Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	38.03	9.09	-
EBITDA	Rs. Cr.	1.19	0.26	-
PAT	Rs. Cr.	(1.86)	0.13	-
EBITDA Margin	(%)	3.14	2.81	-
PAT Margin	(%)	(4.90)	1.42	-
ROCE	(%)	(2.53)	5.24	-
Total Debt/Tangible Net Worth	Times	1.21	0.00	-
PBDIT/Interest	Times	0.93	2.00	-
Total Debt/PBDIT	Times	19.37	0.02	-
Gross Current Assets (Days)	Days	238	441	-

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

None

**Any other information:**

None

**Rating History for the last three years:**

NA

**\*Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB+/Positive (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BB+/Positive (Assigned)
Term loan	Not Applicable	Not Applicable	Not Applicable	27.00	SMERA BB+/Positive (Assigned)
Proposed Term loan	Not Applicable	Not Applicable	Not Applicable	26.60	SMERA BB+/Positive (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+ (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+ (Assigned)

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