



Press Release
Jolly Spinners Private Limited
July 02, 2024
Rating Downgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.75	ACUITE BB+ Downgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	9.75	-	-

Rating Rationale

Acuité has downgraded and withdrawn its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs. 9.75 crore bank facilities of Jolly Spinners Private Limited (JSPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Rationale for Downgrade

The rating downgrade takes into account the decline in operating revenue and volatility in profitability margins of the group in FY2024(prov.) and FY2023. The revenue of the group stood at Rs.469.21 Cr. In FY2024 (Prov), Rs.343.31 Cr. in FY2023 as against Rs.512.89 Cr. In FY2022. The net loss of the company stood at Rs. 2.34 Cr. in FY2024 (Prov), and Rs. 4.70 Cr. in FY2023 as against net profit of Rs.8.30 Cr. in FY2022. The rating, however, is supported by a moderate financial risk profile, adequate liquidity and moderate utilisation of bank limits.

About the Company

Jolly Spinners Private Limited(JSPL) is Gujarat based company established in 2011 by Mr. Ramzan Vajirali Halaniand and Mr. Bharatkumar Sejpai involved in trading of cotton yarn. JSPL has part of Jolly group with an installed capacity of 20,064 spindles and primarily manufactures yarns of 20s and 40s counts. Jolly group's manufacturing plant is located at chotila near rajkot, Gujarat.

About the Group

Jolly Spinners Private Limited(JSPL) is Gujarat based company established in 2011 by Mr. Ramzan Vajirali Halaniand and Mr. Bharatkumar Sejpai involved in ginning and manufacturing of cotton yarn. JSPL is part of Jolly group which consists of Jolly Enterprises(JE), Jolly Spinning Mills Private Limited(JSMPL), Jolly Spinners Private Limited(JSPL). Jolly enterprises(JE) handles the ginning cotton and manufacturing of cotton lints, Jolly Spinning Mills Private Limited(JSMPL) is into manufacturing of cotton yarn from cotton lints supplied by group company, Jolly Spinners Private Limited(JSPL) is involved in trading and exports of cotton yarn manufactured by group company.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Jolly spinners private limited, Jolly enterprise, Jolly Spinning Mills Private Limited to arrive at the rating on the basis of common management, similar line of business and financial linkages. All the three entities together referred as Jolly group.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Jolly group(JG) consists of three companies namely Jolly Enterprises, Jolly Spinning Mills Private Limited and Jolly Spinners Private Limited. The group is engaged in ginning, pressing and spinning of cotton yarn. The group is also engaged in trading of cotton yarn and cotton bales. Jolly group was established in 1997 by Mr. Ramzan Vajirai Halaniand and Mr. Chirag bharatkumar sejal who collectively have more than three decades' experience in cotton business. Jolly group procures raw material from local markets and exports yarn to Europe, China and Bangladesh. In terms of revenue mix JG derives 80 percent of its revenue through exports and 20 percent through sale in domestic markets. Further, JG group has achieved the operating revenue of Rs. 469.21 Cr. in FY2024(Prov.) against Rs. 343.31 Cr. in FY2023.

Acuite believes that the group will continue to benefit from established presence in textile industry and extensive experience of promoters.

Comfortable working capital management

JG's working capital operations are comfortable marked by gross current assets (GCA) days of 48 days in FY2024(Prov.) as compared to 75 days in FY2023. The GCA days are mainly dominated by inventory holding period of 8 days in FY2024(Prov.) as against 25 days in FY2023. The collection period was at 4 days in FY2024(Prov.) as against 16 days in FY2023. Further, the company's average bank limit utilisation stood at ~53.25 percent for the last 06 months ended May 2024.

Acuite' believes that working capital operations of the company may continue to remain comfortable considering the nature of business.

Weaknesses

Decline in financial risk profile

The financial risk profile is moderate marked by declining net worth, moderate gearing and moderate debt protection metrics. The net worth of the company declined and stood at Rs. 41.62 Cr. as on 31 March, 2024(Prov.) as against Rs. 42.27 Cr. as on 31 March, 2023 and Rs. 50.42 Cr. as on 31 March, 2022. The company follows a moderate financial policy reflected through its gearing (debt-equity) which stood at 1.08 times as on 31 March, 2024(Prov.) as against 1.00 times as on 31 March, 2023. The coverage indicators , marked by interest coverage ratio (ICR) stood at 1.79 times in FY2024(Prov.) as against 0.71 times in FY2023. The DSCR stood at 1.56 times in FY2024(Prov.) against 0.57 times in FY2023. Although there is an improvement in the coverage indicators in FY24 it is still much lower than the FY22 levels which stood at 5.53 & 1.45 times of ICR and DSCR respectively. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.37 times as on 31 March 2024(Prov.) as against 1.53 times as on 31 March, 2023. Acuité, believes that the financial risk profile may continue to remain moderate despite routine capex supported by stable operating margins.

Volatility in raw material prices and government regulations

Cotton prices are highly regulated by the government through MSP (Minimum Support Price). However, the purchase and selling prices depend on the prevailing demand-supply situation restricting bargaining power with suppliers and customers. Any adverse movement of cotton prices further impacts profitability.

Rating Sensitivities

Not Applicable

Liquidity Position**Adequate**

JG's liquidity is adequate marked by net cash accruals to its maturing debt obligation. Net cash accruals stood at Rs 2.27 Cr. as on March 31, 2024(Prov.), as against Current maturity of long-term debt of Rs.0.27 Cr. over the same period. The cash and bank balances of the company stood at Rs. 6.44 Cr. as on March 31, 2024(Prov.), as compared to Rs. 4.80 Cr. as on March 31, 2023. The current ratio stood at 2.28 times as on March 31, 2024(Prov.). The average fund-based working capital utilisation remained 53.25 % during the last 06 months ending May 2024 giving adequate legroom for any growth fund or contingencies.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	469.21	343.31
PAT	Rs. Cr.	(2.34)	(4.70)
PAT Margin	(%)	(0.50)	(1.37)
Total Debt/Tangible Net Worth	Times	1.08	1.00
PBDIT/Interest	Times	1.79	0.71

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Apr 2023	Cash Credit	Long Term	9.75	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.75	ACUITE BB+ Downgraded & Withdrawn (from ACUITE BBB-)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Jolly Enterprises
2	Jolly Spinning Mills Private Limited
3	Jolly Spinners Private Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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