Press Release

Jindba Processors Private Limited

July 23, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A2

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' **(read as ACUITE BBB)** and short term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs. 22.00 crore bank facilities of Jindba Processors Private Limited. The outlook is **'Stable'**.

Jawandsons Group (JG) mainly comprises of Jawandsons, a partnership firm based in Ludhiana and Jindba Processors Private Limited, a company also based at Ludhiana. Jawandsons, established in 2000, is engaged in the business of manufacturing throws, blankets, cushion covers and mattress covers among others. Jawandsons majorly sells its products to IKEA, a major business client over the last 15 years. Jindba Processors Private Limited (JPPL) was incorporated in 2016. The company is currently involved in the business of trading of yarns and fabrics. JPPL has mainly been set up as backward integration unit to its group company, Jawandsons. Jawandsons is mainly involved in manufacturing and supplying home furnishing and hosiery products in the export market. One of the key clients for Jawandsons is Dutch based IKEA Trading Company Limited. JPPL will now be buying dyeing machines for yarn dyeing and fabric dyeing supplied to it by Jawandons. The trading business is expected to go down in the future due to more focus on the dyeing business.

Key Rating Drivers

Strengths

- **Experienced Management:**
  The promoters of Jawandsons Group Mr. Gurubakshish Singh and Mr. Balwant Singh have been in the textile manufacturing business since almost 2 decades. Also the group is now opening a dyeing unit as a backward integration project for the products manufactured by Jawandsons. This will help in saving the cost and produce better quality products. The management is experienced enough and has steadily improved their business over the years.

- **Steady flow of orders**
  Since JPPL has mainly been incorporated as a backward integration unit for Jawandons. Further 70 percent of the orders that JPPL will process for yarn dyeing and fabric dyeing will be from Jawandsons. Jawandsons has an established relationship with IKEA of more than 10 years and is a major supplier of blankets and throws (mini blankets used in severe cold weather) to IKEA. Hence this will help JG to execute seamless orders at a faster rate and of better quality and thereby establish better customer relations with the clients.

- **Moderate Financial Risk Profile:**
  Financial risk profile of the group is moderate marked by a net worth of Rs. 65.12 crore as on 31 March 2018 (Provisional) as against Rs. 54.80 crore as on 31 March 2017. JG has been making continuous steady increase in revenue; it has reported earnings-before-interest depreciation and taxes (EBIDTA) of Rs. 32.77 crores in FY2018 (Provisional) EBIDTA of Rs. 22.75 crores in FY2017. The debt to equity ratio increased from 1.50 times as on March 31 2017 to 1.74 times as on March 31 2018 (Provisional). Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at healthy at 3.98 and 3.32 respectively for FY2018 and 3.72 and 3.24 respectively for FY2017.

- **Comfortable working capital cycle**
  The group has comfortable working capital cycle marked by high Gross Current Asset (GCA) of 148

days in FY2018 (Provisional) as compared to 175 days in FY2017. The GCA days are mainly dominated by inventory days of 76 in FY2018 (Provisional) compared to 99 in FY2017. The average cash credit utilization for the past six months stood at ~80-90 percent. Acuité believes that the efficient working capital management will be crucial to the group in order to maintain a stable credit profile.

- **Healthy operating margins**

The operating margin stood improved at 10.52 percent in FY2018 (Provisional) as compared to 10.02 percent in FY2017. The operating margins are bound to increase up to 13 -14 percent once the company JPPL shifts its focus majorly on the dyeing business. PAT margins for the group stood at 3.62 percent in FY2018 (Provisional) as compared to 2.55 percent in FY2017.

Weaknesses

- **Dependence on a single client**

90 percent of the revenue earned by Jawandsons is from IKEA. Eventhough the firm does supply to other companies such as Mothercare it is yet to form strong business relationship. In those regards any change in the purchase policies for IKEA will have a significant impact on the revenues of Jawandons. Further 70 percent of the orders for yarn dyeing and fabric dyeing that JPPL will process will be from Jawandsons. JPPL will be dependent on Jawandons for a major part of its revenue. Any change in the number of orders booked by Jawandsons will affect the revenues of JPPL in a significant manner.

- **Intense Competition**

Textile manufacturing is an intensely competitive industry. A high segment of unorganized players along with the organized ones pose as a major threat to the business when it is reliant on a single client for major part of its revenues. IKEA has over 1500 suppliers over the world. This further intensifies the competition that the JG faces among the other suppliers and reduces the scale of operations.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Jawandsons and Jindba Processors Private Limited (JPPL), together referred to as Jawandsons Group (AG) to arrive at the rating. The consolidation is due to the common promoters and future financial synergies within the group.

Outlook: Stable

Acuité believes that JG will maintain a 'Stable' outlook over the medium term owing to its experienced management and steady flow of orders from Jawandsons. The outlook may be revised to 'Positive' if the company generates substantial revenues and operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	311.48	226.91	211.06
EBITDA	Rs. Cr.	32.77	22.75	17.44
PAT	Rs. Cr.	11.27	5.79	4.88
EBITDA Margin	(%)	10.52	10.02	8.26
PAT Margin	(%)	3.62	2.55	2.31
ROCE	(%)	15.84	11.23	12.09
Total Debt/Tangible Net Worth	Times	1.74	1.50	1.35
PBDIT/Interest	Times	3.98	3.72	3.10
Total Debt/PBDIT	Times	3.44	3.61	4.20
Gross Current Assets (Days)	Days	148	175	163

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-22.htm

Note on complexity levels of the rated instrument
https://www.acuite.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
Term loans	Not Applicable	Not Applicable	Not Applicable	18.75	ACUITE BBB / Stable
Over Draft	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BBB / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2

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About Acuité Ratings & Research:
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