

Press Release

Jindal Spinning Mills Limited

August 08, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 12.00 crore bank facilities of Jindal Spinning Mills Limited. The outlook is '**Stable**'.

Jindal Spinning Mills Limited (JSML), incorporated in 2008 is a Haryana-based company. The company is promoted by Mr. Sudhir Kumar Jindal, Mr. Sumit Jindal and Mr. Puneet Jindal. The company is engaged in manufacturing of recycled acrylic yarn and blanket. The manufacturing facility is located in Panipat (Haryana) with an installed capacity of 3, 50,000 kg yarn per month and 45,000 blankets per month.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The company was incorporated in 2008, thus having an operational track record of over a decade in the textile industry. This has helped to maintain long standing relations with customers and suppliers. The company also benefits from its experienced promoters as Mr. Sudhir Kumar Jindal possesses over four decades of experience in the aforementioned industry. Further, Mr. Sumit Jindal (Director) and Mr. Puneet Jindal (Director) have an experience of more than 15 years in the same industry.

- **Proximity to raw materials**

The group has its operations in Haryana, one of the major cotton producing regions in India. Hence, the company benefits from proximity to raw materials.

- **Modest scale of operation with improving profitability**

The company has small scale of operations marked by operating income of Rs.28.42 crore in FY2018 (Provisional) as against Rs.32.94 crore in FY2017. The decline is mainly due to reduced orders from the existing customers. However, the company's operating margins are improving over the years with 9.48 percent in FY2018 (Provisional) as against 7.26 percent in FY2017 and 6.93 percent in FY2016. This is mainly due to decrease in raw material cost as a percentage of sales. Further, PAT (Profit after tax) margins also improved to 0.59 percent in FY2018 (Provisional) from 0.46 percent in FY2017.

Weaknesses

- **Average financial risk profile**

JSML's financial risk profile is average marked by net worth of Rs.9.47 crore as on 31 March, 2018 (Provisional) as against Rs.9.30 crore as on 31 March, 2017. The gearing (debt-to-equity ratio) stood at 1.33 times as on 31 March, 2018 (Provisional) as against 0.98 times as on 31 March, 2017. The total debt of Rs.12.64 crore as on 31 March, 2018 (Provisional) mainly comprises of Rs.10.17 crore of working capital borrowings, Rs.0.18 crore of term loans and Rs.2.29 crore unsecured loans from Directors and relatives. Interest Coverage Ratio (ICR) stood at 1.61 times for FY2018 (Provisional) as against 1.66 times for FY2017. The net cash accruals remained same at Rs.0.93 crore in FY2018 (Provisional) and FY2017. Going forward, Acuite expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

• Working capital intensive operations

JSML has working capital intensive nature of operations marked by high Gross Current Assets (GCA) of 274 days in FY2018 (Provisional) as against 202 days in FY2017. This is mainly due to high inventory of 153 days in FY2018 (Provisional) due to seasonality of the business. The inventory in FY2017 stood at 78 days. The debtors are also high at 106 days in FY2018 (Provisional) as against 117 days in FY2017. The bank limit utilisation stood at ~96 percent for the last six months ended June, 2018.

• Volatility in raw material prices and government regulations

JSML's margins are highly susceptible to changes in cotton prices and fibre. Price of cotton is stated by government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation restricting bargaining power with the suppliers as well. Any adverse movement of cotton prices further impacts the operating performance of the company. Acuite believes that JSML should be able to maintain its operating profitability around existing levels notwithstanding the volatility in prices of its key inputs on the back of its established position in the domestic as well as foreign market.

• Presence in highly fragmented and competitive nature of industry

The company is exposed to intense competition in the highly fragmented textile industry. The company also faces stiff competition from organised and unorganised players in the domestic market and also from other nations wherein production costs are lower, offering cheaper labour and ease-of-doing business.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of JSML to arrive at this rating.

Outlook: Stable

Acuite believes that JSML will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.42	32.94	31.04
EBITDA	Rs. Cr.	2.69	2.39	2.15
PAT	Rs. Cr.	0.17	0.15	0.16
EBITDA Margin	(%)	9.48	7.26	6.93
PAT Margin	(%)	0.59	0.46	0.50
ROCE	(%)	9.73	9.44	9.28
Total Debt/Tangible Net Worth	Times	1.33	0.98	1.11
PBDIT/Interest	Times	1.61	1.66	1.74
Total Debt/PBDIT	Times	4.61	3.57	4.08
Gross Current Assets (Days)	Days	274	202	224

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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>

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.40	ACUITE A4
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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