



Press Release

Jayanthi Textile Products

February 25, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs. 40.00 crore bank facilities of JAYANTHI TEXTILE PRODUCTS (JTP). The outlook is '**Stable**'.

JTP was established in 1990, and is a part of Jayanthi group. JTP is engaged in spinning and weaving of carded and combed cotton into yarn and grey fabrics. The plant is based out of Coimbatore (Tamil Nadu) with total capacity of 36800 spindles and 82 air jet looms. Additionally, JTP possesses 5 windmills with a total capacity of 4.5 MW per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters, Mr. C M Lakshmanamoorthy and Mr. C M Senthilkumar have presence in the textile industry for nearly two decades. This helped in building healthy relationships with its suppliers and customers to ensure a steady raw material supply and repeat business. It helped in improving the revenues of the company to a compound annual growth rate (CAGR) of ~12 percent from Rs.93.34 crore in FY2016 to Rs.117.00 crore in FY2018. The increase in revenue is attributed to increase in customer base year-over-year. Acuité believes that JTP is expected to enjoy the benefit of proximity to the cotton growing area along with the promoters' experience and local presence in improvement of its business risk profile over the medium term.

- **Efficient working capital cycle**

JTP has efficient working capital cycle as marked by Gross Current Asset (GCA) days of 101 in FY2018 as compared to 79 in the previous year. It maintains inventory of about 51 days in FY2018 as compared to 53 days in the previous year. The customers are given a credit of about 20-40 days, and most of the collections are on a timely basis within two months. Sufficient cash accruals resulted into below average working capital facility utilisation at ~80 per cent. Acuité believes that in the absence of significant capex plans, its accruals are expected to support in incremental working capital requirements over the medium term.

- **Moderate financial risk profile**

The financial profile of JTP is moderate marked by moderate net worth, moderate gearing (debt-to-equity) and total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The net worth is modest at Rs.43.54 crore as on 31 March, 2018, an increase from Rs.36.19 crore in FY2017, mainly due to accretion of reserves. Gearing is moderate at 0.71 times in FY2018, improved from 0.88 times in FY2017 and TOL/TNW is low at 0.82 times in FY2018 improved from 1.01 times in FY2017. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 5.16 times and 0.40 times respectively in FY2018. The cash accruals are expected in the range of Rs.12.10-13.10 crore against repayment obligations of Rs.2.98 crore.

Acuité believes that moderate accruals vis-à-vis its repayment obligations, modest growth in revenues and in the absence of any significant capex, the financial risk profile is expected to improve marginally over the medium term.

Weaknesses

- **Moderate scale of operations**

The firm has moderate scale of operations as marked by operating income of Rs.117.00 crore in FY2018 as compared to Rs.112.26 crore in the previous year, which is a growth of 4.23 per cent over the previous year. Till January 2019, the firm has generated ~Rs.99.6 crore.

- **Risk of capital withdrawal**

The firm is exposed to risk of capital withdrawal considering its partnership constitution.

Liquidity Position:

JTP has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.12.31 crore in FY2018, while its maturing debt obligations were in the range of Rs.2.50 – 3.00 crore over the same period. The cash accruals of the company are estimated to remain around Rs.13.00 -15.00 crore during 2019-21. The company's working capital operations are healthy as marked by gross current asset (GCA) days of 101 in FY 2018. This has led to low reliance on working capital borrowings; the cash credit limit of the group remains utilised at ~80 percent during the last 12 months period ended December 2018. The current ratio of the company stands healthy at 1.25 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain healthy over the medium term on account of significant cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that JTP will maintain a 'Stable' outlook over the medium term from its promoters' industry experience, efficient working capital cycle and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in its revenues while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations or any decline in operating revenue.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	117.00	112.26	93.34
EBITDA	Rs. Cr.	14.53	13.05	10.59
PAT	Rs. Cr.	9.01	6.38	3.96
EBITDA Margin	(%)	12.42	11.62	11.35
PAT Margin	(%)	7.70	5.68	4.24
ROCE	(%)	16.81	15.68	24.51
Total Debt/Tangible Net Worth	Times	0.71	0.88	1.04
PBDIT/Interest	Times	5.16	3.62	3.06
Total Debt/PBDIT	Times	2.03	2.32	2.85
Gross Current Assets (Days)	Days	101	79	91

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

None

Any other information

None

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	22.00	ACUITE BBB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	10.77	ACUITE BBB / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.94	ACUITE A3+ (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3+ (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.29	ACUITE BBB / Stable (Assigned)

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About Acuité Ratings & Research:

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