

Press Release

Jindal Hand Tex Private Limited

July 03, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 46.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 46.00 crore bank facilities of JINDAL HAND TEX PRIVATE LIMITED. The outlook is '**Stable**'.

Uttar Pradesh based Jindal Handtex Private Limited (JHPL) was incorporated in 2007. The directors of the company are Mr. Neeraj Gupta, Mrs. Usha Rani, Mr. Himanshu Jindal, Mr. Sushil Kumar and Mr. Himanshu Garg. JHPL engaged in trading of Cotton Yarn. Going forward the company is installing a production plant for producing grey yarn at Ghaziabad with total 3840 rotors and installed capacity of 8092 MT per annum of yarn. Production is expected to start from January, 2020.

Analytical Approach

For arriving at its rating, Acuite has taken a standalone view of the business and financial risk profile of JHPL

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

Established as a proprietary concern in 1991, JHPL was converted into a private limited in 2007. Promoters of the company are having extensive experience in the textile industry. Having a long operational track record and experienced management will help company to maintain good relations with its suppliers as well as with its customers in the near future.

- **Moderate Working Capital Operations**

JHPL has moderate working capital cycle marked by gross current assets days (GCA) of 79 days in FY2019 as against 69 days in the previous year. This is on account of debtor collection period of 28 days in FY2019 as against 35 days in FY2018 and inventory holding period of 12 days in FY2019 as against 22 days in FY2018.

Weaknesses

- **Weak Financial Risk Profile**

JHPL has weak financial risk profile marked by low net worth, average gearing and debt protection metrics. Tangible net worth of the company stood at Rs.2.44 crore as on 31st March, 2019 as against Rs.1.05 crore as on 31st March, 2018. Gearing levels (debt-equity) of the company stood at 0.97 times as on 31 March 2019 as against 1.96 times as on 31 March 2018. Interest coverage ratio (ICR) stood at 1.45 times for FY2019 as against 1.55 times for FY2018. DSCR stood at 1.36 times for FY2019 as against 1.41 times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.05 times as on 31 March 2019 vis-à-vis 2.42 times as on 31 March 2018.

- **Highly competitive and fragmented industry**

JHPL is operating in a highly competitive and fragmented textile industry with high competition from several organized and unorganized players operating in the said industry. Further limited entry barriers in the textile industry may invite new competition for JHPL.

• Susceptibility to fluctuations in cotton prices and government regulations

Raw cotton prices are highly volatile in nature and are largely depend on factors like area under cultivation, crop yield and climatic conditions. Cotton being the major raw material of spinning mills, volatility in the prices of cotton impacts the profitability of the company

Liquidity position

JHPL has adequate liquidity marked by average net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.05 crore for FY2019 while no maturing debt obligations for the same period. The cash accruals of the company are estimated to remain around Rs.0.83 crore to Rs.7.49 crore during 2020-22 against repayment obligations of around Rs.2.00 crore to Rs.3.90 crore. The company's working capital operations are intensive marked by gross current asset (GCA) days of 79 days for FY2019. Company maintains unencumbered cash and bank balances of Rs.0.39 crore as on 31 March 2019. The current ratio stands at 2.85 times as on 31 March 2019.

Outlook: Stable

Acuite believes that JHPL will maintain a stable outlook in the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	13.36	11.79	10.19
EBITDA	Rs. Cr.	0.20	0.21	0.21
PAT	Rs. Cr.	0.03	0.05	0.02
EBITDA Margin	(%)	1.50	1.81	2.03
PAT Margin	(%)	0.26	0.38	0.19
ROCE	(%)	4.61	8.10	14.93
Total Debt/Tangible Net Worth	Times	0.97	1.96	1.31
PBDIT/Interest	Times	1.45	1.55	1.37
Total Debt/PBDIT	Times	12.16	8.05	6.32
Gross Current Assets (Days)	Days	79	69	51

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	39.00	ACUITE B / Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B / Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Deepesh Pamnani Analyst - Rating Operations Tel: 011-49731315 deepesh.pamnani@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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