

Press Release

Jyotindra International

July 26, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 60.00 crore bank facilities of JYOTINDRA INTERNATIONAL (JI). The outlook is '**Stable**'.

Established in 1973, JI is a Gujarat-based partnership firm promoted by Late Mr. Jyotindra Modh and family. The firm is engaged in processing of psyllium husk and psyllium husk powder from psyllium seeds (Isabgol seeds). The firm has its manufacturing facility located at Palanpur (Gujarat) with installed capacity of processing 3000 MTPA. The firm also undertakes processing of senna pods and senna leaves. The firm exports about 90 percent of its produce to countries such as UK, Europe, Spain, Brazil, USA and China to name a few.

Analytical Approach

Acuite has considered the consolidation of business and financial profiles of Jyotindra International and Ispasen Remedies, together known as 'JI Group'. The consolidation is due to common management and similar line of business. Extent of consolidation: Full

About the Group

Promoted by Late Mr. Jyotindra Modh, JI group is engaged in processing of psyllium husk and psyllium husk powder from psyllium seeds (Isabgol seeds). Ispasen Remedies caters to domestic market and Jyotindra International caters to international market.

Key Rating Drivers

Strengths

• Experienced management

JI was established in 1973 by Late Mr. Jyotindra Modh and is currently managed by second generation promoter, Mr. Dhaval Modh. The firm has established track record of more than four decades in manufacturing and processing of psyllium husk and powder. The promoters possess vast experience of over four decades in this industry and are ably assisted by an experienced second line of management. Acuite believes that JI group will benefit from experienced management, which will help the group to maintain long standing relations with its customers and suppliers

• Modest scale of operations and profitability margins

The group shows modest scale of operations marked by operating income of Rs.127.50 crore in FY2018 as against Rs.132.67 crore in FY2017 and Rs.126.45 crore in FY2016. Further, the group has booked revenue of Rs.102.16 crore for FY2019 (Provisional). The decline in revenue is on account of price reduction of psyllium seeds by 40 percent which is a major raw material for the group. However, the group has focused on producing high quality psyllium husk which has helped the firm to obtain higher margins. Further, the group's operating margins stood moderate at 4.74 percent in FY2018 as against 4.76 percent in FY2017 and 1.97 percent in FY2016. Further, the firm reported Profit after Tax (PAT) margin of 2.28 percent in FY2018 against 2.39 percent in FY2017. The fluctuations in profitability margins are on account of fluctuations in prices of major raw material. Acuite believes that the growth in revenue and sustenance of its profitability margins are expected to support the overall growth of the group.

- **Moderate financial risk profile**

The group has moderate financial risk profile marked by moderate net worth, gearing and debt protection measures. The tangible net worth of the group stood moderate at Rs.14.28 crore as on March 31, 2018 against Rs.11.12 crore as on March 31, 2017. The improvement in net worth is on account of addition of capital by the promoters. The gearing (debt-equity) remained moderate at 1.69 times as on March 31, 2018 against 2.09 times as on March 31, 2017. The total debt outstanding of Rs.24.16 crore as on 31 March, 2018 consist of working capital borrowing of Rs.20.53 crore, term loan of Rs.0.62 crore and unsecured loans of Rs.3.00 crore. The coverage indicator of the firm stood at moderate levels. ICR stood at 2.15 times and DSCR stood at 1.73 times in FY2018. Total outside liabilities to tangible net worth stood at 1.81 times as on 31 March, 2018. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.16 times for FY2018. Return on Capital Employed (RoCE) stood at 17.07 per cent in FY2018. Acuite believes that the growth in revenue, sustenance of its profitability margins and absence of any further significant capex plans are expected to support the financial risk profile of the group in near to medium term.

Weaknesses

- **Moderate working capital operations**

The group has moderate working capital operations marked by Gross Current asset (GCA) of 76 days for FY2018 as against 57 days for FY2017. This is majorly on account of collection period of 51 days in FY2018 as against 38 days in FY2017. The inventory holding stood at 21 days in FY2018 as against 16 days in FY2017. The peak season for procuring psyllium seeds is from March-May, which leads to high utilisation of working capital during this season. Acuite believes that the ability of the group to efficiently manage its working capital requirements will remain key rating sensitivity.

- **Margins susceptible to raw material price fluctuations and agro climatic risk**

Psyllium seed is the major raw material for JI. It, being an agricultural produce, the availability and pricing of the same depends upon various factors such as monsoon during the year, area under cultivation, demand domestically and internationally along with various other factors. Also, being an agro product, the industry has to depend on monsoons, crop yields, and the area under cultivation, minimum support prices and other financial incentives announced by the government. Any change in the monsoon or climate conditions may interrupt the supply of psyllium seeds. Hence, the profitability margins for the firm are susceptible to variation in raw material prices and climate risk.

Liquidity Position:

The group has healthy liquidity marked by net cash accruals as compared to its maturing debt obligations. The group generated cash accruals of Rs.3.8-4.8 crore during the last three years through 2016-18, while the maturing debt obligations were Rs.0.6-0.8 over the same period. The cash accruals are estimated to remain in the range of Rs.4.8-6.0 crore during 2019-21, with no repayment obligation. The group maintains cash and bank balances of Rs.0.07 crore and encumbered balances in the form of fixed deposits of about Rs.9.85 crore as on March 31, 2018 towards working capital. The current ratio is moderate at 1.48 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain moderate over the medium term on account of moderate accruals, no repayment obligations and no major capex over the medium term.

Outlook: Stable

Acuite believes that JI group's outlook will remain 'Stable' over the medium term from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in its revenues and profitability while maintaining its working capital. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or stretch in its working capital management leading to deterioration of its financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	102.16	127.50	132.67
EBITDA	Rs. Cr.	6.53	6.04	6.32
PAT	Rs. Cr.	3.90	2.91	3.17
EBITDA Margin	(%)	6.39	4.74	4.76
PAT Margin	(%)	3.82	2.28	2.39
ROCE	(%)	15.60	17.07	20.35
Total Debt/Tangible Net Worth	Times	1.43	1.69	2.09
PBDIT/Interest	Times	2.95	2.15	2.12
Total Debt/PBDIT	Times	3.49	3.40	3.02
Gross Current Assets (Days)	Days	101	76	57

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
PC/PCFC/FBP/FBN /FBD	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB- / Stable
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- / Stable
PC/PCFC/FBP/FBN /FBD	Not Applicable	Not Applicable	Not Applicable	25.00^	ACUITE BBB- / Stable

^Export Packing Credit of Rs.25.00 crore includes sublimit Cash Credit of Rs.10.00 crore and Working Capital Demand Loan of Rs.10.00 crore.

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About Acuité Ratings & Research:

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