

## Press Release

Jyotindra International

September 04, 2020

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.60.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the 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 (Isabgul seeds). The firm has its own manufacturing facility located at Palanpur, Gujarat with an installed capacity of processing 7500 MTPA. The firm also undertakes processing of senna pods and senna leaves. The firm exports about 70 percent of its produce to the countries like UK, Europe, Spain, Brazil, USA, and China amongst few and the rest 30 percent to the domestic market.

### About the Group

The Jyotindra Group (JI Group) consists of two companies, i.e. Jyotindra International (JI) and Ispasen Remedies (IR).

Gujarat based, Ispasen Remedies is a sister concern JI. The firm was incorporated in 2014 and is engaged in processing of psyllium husk and psyllium husk powder from psyllium seeds (Isabgul seeds). IR caters to the local market in Gujarat and has installed capacity of 3000MTPA with average capacity utilization of around 70 percent.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

- **Experienced management with established track record of operations**

JI was established in 1973 by late Mr. Jyotindra Modh and family. The group is currently managed by the second generation of the Modh family. The firm JI has established track record of more than four decades in the 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 firm to maintain long-standing relations with its customers and suppliers.

- **Modest scale of operations and profitability**

The operations of the group is modest marked by operating income of Rs.144.94 crore in FY2020 (provisional) as against Rs.107.33 crore in FY2019. The increase in revenue is on account of high realization during the FY2020. However, the operating profit margin of the group declined from 6.04 percent in FY2019 to 3.83 percent in FY2020 (provisional) on account of high raw material cost and an increase in other expenses. Further, the group reported Profit after Tax (PAT) margin of 2.17 percent in FY2020 (provisional) as against 3.59 percent in FY2019.

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 a 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.19.12 crore as on March 31, 2020 (provisional) against Rs.17.67 crore as on March 31, 2019. The improvement in networth is on account of the addition of capital by the promoters. The gearing (debt-equity) remained moderate at 1.23 times as on March 31, 2020 (provisional) against 1.48 times as on March 31, 2019. The total debt outstanding of Rs.23.52 crore as on 31 March 2020 (provisional) consist of working capital borrowing of Rs.23.37 crore and unsecured loans of Rs.0.15 crore. The Interest Coverage Ratio (ICR) deteriorated marginally and stood at 2.75 times in FY2020 (provisional) as against 2.94 times in FY2019. Further, total outside liabilities to tangible net worth (TOL/TNW) improved marginally and stood at 1.41 times as on 31 March, 2020 (provisional) as against 1.63 times as on 31 March, 2019. The Net cash accruals to Total debt (NCA/TD) stood at 0.17 times for FY2020 (provisional). The Return on Capital Employed (RoCE) stood at 12.63 per cent in FY2020 (provisional).

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 operates in moderate working capital operations marked by Gross Current asset (GCA) of 79 days for FY2020 (provisional) as against 101 days for FY2019. This is majorly on account of collection period of 26 days in FY2020 (provisional) as against 36 days in FY2019. Further, the inventory holding period stood at 49 days in FY2020 (provisional) as against 54 days in FY2019. The average working capital limit utilization stood at around 55 percent ended June, 2020. Subsequently, the peak season for procuring psyllium seeds is from Feb-June, which leads to an increase in working capital utilization during the season.

Acuite believes that the ability of the firm to efficiently manage its working capital requirements will remain key rating sensitivity.

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

Psyllium seeds is the major raw material for the group. It is an agricultural produce, the availability and pricing of the same depend upon various factors such as monsoon during the year, the area under cultivation, demand domestically and internationally along with various other factors. Also, it 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/climate conditions may interrupt the supply of psyllium. Hence, the profitability margins for the firm are susceptible to the variation in raw material prices and climate risk.

**Liquidity Position: Adequate**

The group has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. The group generated cash accruals of Rs.4.05 crore in FY2020 (provisional) against no maturing debt obligations during the same period. The cash accruals are estimated to remain in the range of Rs.3.90-5.74 crore during 2021-23, with no repayment obligation. The group maintains cash and bank balances of Rs.0.10 crore and encumbered balances in the form of fixed deposits of about Rs.9.38 crore as on March 31, 2020 (provisional) towards working capital borrowings. The current ratio is moderate at 1.50 times as on March 31, 2020 (provisional). 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.

**Rating Sensitivities**

- Modest scale of operations with improvement in revenue growth and profitability margins
- Deterioration in working capital management leading to stretched liquidity

**Material Covenants**

None

### Outlook: Stable

Acuite believes that the group 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. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or stretch in its working capital management leading to the deterioration of its financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	144.94	107.33
PAT	Rs. Cr.	3.14	3.86
PAT Margin	(%)	2.17	3.59
Total Debt/Tangible Net Worth	Times	1.23	1.48
PBDIT/Interest	Times	2.75	2.94

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-July-2019	PC/PCFC/FBP/FBN/FBD	Long Term	30.00	ACUITE BBB-/Stable (Assigned)
	Standby line of credit	Long Term	5.00	ACUITE BBB-/Stable (Assigned)
	PC/PCFC/FBP/FBN/FBD	Long Term	25.00*	ACUITE BBB-/Stable (Assigned)

\*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.

### \*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 (Reaffirmed)
Standby line of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Reaffirmed)
PC/PCFC/FBP/FBN/FBD	Not Applicable	Not Applicable	Not Applicable	25.00*	ACUITE BBB-/Stable (Reaffirmed)

\*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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