

Press Release

Jyotindra International

October 10, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.00	-	ACUITE A3 Assigned
Bank Loan Ratings	60.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	73.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 60.00 crore bank facilities of Jyotindra International (JI). Further, Acuite has assigned the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 13.00 crore bank facilities of JI.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the gradual improvement in scale of operations through FY2020-22 despite the outbreak of the pandemic marked by revenue in the range of Rs. 140-225 Cr. The rating also considers the moderate financial risk profile marked by moderate net worth and debt. The peak gearing (debt to equity) stood at 1.35 times through FY2020-22.

However, the rating remains constrained due to reduction in profitability margins to around 3-4 percent against 6 percent in the pre-covid era. Further, the profitability is susceptible to volatility in agriculture commodity prices and fluctuations in exchange rates.

About the Company

Established in 1973, JYOTINDRA INTERNATIONAL (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 manufacturing facility located at Palanpur, Gujarat with installed capacity of processing 7500 MTPA. The firm also undertakes processing of senna pods and senna leaves. The firm exports about 85 percent of its produce to the countries like UK, Europe, Spain, Brazil, USA, and China amongst few.

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

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

Jl 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 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.

Acuité believes that Jl will benefit from experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

- **Moderate financial risk profile:**

The financial risk profile of the group is moderate marked by moderate net worth and debt and adequate debt coverage indicators. The net worth stood at Rs. 22.67 Cr as on March 31, 2022 (provisional) against Rs. 22.01 Cr as on March 31, 2021. The low accretion is attributable to partner's withdrawal of Rs. 3.57 Cr in FY2022, however, Rs. 2.61 Cr has been introduced in FY2022 (provisional) as unsecured loan.

The aggregate debt stood at Rs. 30.05 Cr as on March 31, 2022 (provisional) against Rs. 24.68 Cr as on March 31, 2021. The debt in FY2022 (provisional) consists of long term Rs. 0.26 Cr, unsecured loan from promoters Rs. 2.61 Cr and short term debt of Rs. 27.18 Cr. The increase in debt is on account of introduction of unsecured loan in FY2022 (provisional) considering capital withdrawal and increased short term debt is attributable to increase in working capital days to 59 in FY2022 (provisional) against 54 in the previous year. In addition, the revenue also marked an increase by 37 percent compared to FY2021.

Nonetheless, the group continues to follow a moderate leverage policy marked by gearing of 1.33 times as on March 31, 2022. The peak leverage through FY2020-22 is 1.35 times.

Acuité believes the financial risk profile will remain moderate over the medium term in the absence of debt funded capital expenditure.

- **Improving revenue albeit reduction in operating margins against pre-covid era:**

The revenue of the group improved to Rs. 225.48 Cr in FY2022 (provisional) against Rs. 164.86 Cr in FY2021. Of the 37 percent increase in revenue, 14 percent is on account of increase in sales quantity and the rest is due to increase in prices. The quantity sold increased from 0.96 Cr MTS in FY2021 to 1.09 Cr MTS in FY2022 (provisional). The selling price per MT increased from 172.10 in the previous year to 203.18 in FY2022 (provisional).

Despite increased revenue the operating margins of the group has remained low compared to pre covid era at 3-4 percent through FY2020-22 against 6 percent in FY2019. The reduction is attributable to substantial increase in raw material and transportation cost owing to the outbreak of the pandemic. Majority production of husk takes place during the period from Apr-June, however due to the first and second wave of Covid-19 the farm produce reduced adversely impacting prices. Further, the transportation cost also increased substantially during the pandemic. However, the risk of fluctuating transportation cost is mitigated to some extent since the group has included clauses on incremental transportation cost to be borne by the buyer.

Acuité believes going forward from FY2024 the firm expects operating margins in the range of 5-6 percent.

Weaknesses

- **Moderate working capital operations:**

The operations of Jl group are moderately working capital intensive marked by Gross Current Assets (GCA) of 67 days in FY2022 (provisional) as against 66 days in FY2021. The receivables days and inventory days stood at 31 and 28 days as on 31 March 2022 (provisional) respectively. However, no credit period is extended to the group from its supplier marked by

no outstanding creditor as on March 31, 2022. The increased the group's reliance on short term bank limits. The average bank limit utilization stood at 70 percent through the 6-month period ended June 2022. The peak season for procuring psyllium seeds is from Feb-June marked by peak bank limit utilization of 96 percent.

Acuité 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 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, it being an agro products, 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 on raw material prices and climate risk.

• **Inherent risk of capital withdrawal in a partnership firm:**

The group is susceptible to the inherent risk of capital withdrawal given its constitution. Any significant withdrawal of the partner's capital will have a negative bearing on the financial risk profile of the firm. Through FY2020-22 an aggregate capital withdrawal of Rs. 6.33 Cr was accounted. However, Rs. 2.62 Cr of unsecured loan was introduced by promoters in FY2022 (provisional).

Rating Sensitivities

- Sustained improvement in revenue along with improving operating margins in the range of 6-7 percent.
- Increased withdrawals of retained earnings by partners thereby adversely impacting the financial and liquidity profile of the group.

Material covenants

None.

Liquidity: Adequate

The liquidity of the group is adequate marked by net cash accruals (NCA) in the range of 4-5 Cr through FY2020-22 against repayment obligations of 0.8-0.9 Cr. The operations are moderately working capital intensive marked by working capital (WC) cycle days in the range of 60. The company has no credit period from its suppliers, however, the company provides a credit period of 30 days to debtors and has an inventory holding period of 30 days. As a result the average bank limit utilization for 6 months ended June 2022 is 70 percent with peak utilization through April-June due to seasonality. The current ratio as on March 31, 2022 (provisional) stood at 1.73 times. The cash and bank balance stood at 0.07 times as on March 31, 2022 (provisional).

Outlook:

Not applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	225.48	164.86
PAT	Rs. Cr.	4.22	3.80
PAT Margin	(%)	1.87	2.30
Total Debt/Tangible Net Worth	Times	1.33	1.12

PBDIT/Interest	Times	2.85	3.58
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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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Nov 2021	Packing Credit	Short Term	25.00	ACUITE A3 (Reaffirmed)
	Standby Line of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	30.00	ACUITE A3 (Reaffirmed)
04 Sep 2020	Packing Credit	Long Term	30.00	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Standby Line of Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
26 Jul 2019	Packing Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)
	Standby Line of Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Packing Credit	Long Term	30.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3 Reaffirmed
Yes Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 Assigned
Bank of Baroda	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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