



Press Release
JYOTI APPARELS
November 13, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	31.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	31.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of "**ACUITE BB**" (read as **ACUITE double B**) on the bank facilities of Rs.31.00 Crore of Jyoti Apparels. The outlook is 'Stable'.

Rationale for Rating

The assigned rating takes into consideration the extensive experience of management and established track record of operations in the industry of more than 4 decades. The rating further factors in an improvement in the operational performance of the firm. However, the above mentioned strengths are partly-off set by the intensive working capital operations of the firm and higher dependence upon the external short term borrowings resulted into higher utilisation which stood at approximately 83% in last 12 months ending July 2023 and customer concentration risk. Further, susceptibility of profitability to fluctuations in input prices will remain a key sensitivity factor.

About the Company

Established in 1977 in New Delhi, the Jyoti apparels manufactures and exports ready-made garments for women (80% of revenue) and children (20%). It owns three units in Gurgaon and Manesar in Haryana, and rents one facility. Operations are managed by Mr Hari Kishenlal Magu , Mr. Kamal Kishore Magu, Mr. Rakesh Magu and Mr. Santosh Magu.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken the standalone view on the business and financial risk profile of Jyoti apparels to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Jyoti apparels is engaged in manufacturing and exporting of garments. It has an established operational track record of over four decades. The operations of the firm are being managed by Mr Hari Kishenlal Magu , Mr. Kamal Kishore Magu, Mr. Rakesh Magu and Mr. Santosh Magu. They are being supported by the team of experienced professionals in managing day to day operations of Jyoti apparels. The extensive experience of the promoters has enabled entity to establish a healthy relationship with its customers and suppliers. The firm is having a longstanding relationship with reputed clienteles namely Monoprix Exploitation, Next Retail

Limited, Cabana Life etc. Also the firm is having an outstanding order book position of Rs 44 Cr as on date which will be executed by January 2024 providing a revenue visibility over the medium term.

Acuité believes that firm may continue to benefit from its experienced management and established track record of operations along with reputed clientele over the near to medium term.

Improvement in the scale of operations

The firm have achieved a revenue of Rs.109.10 Crore in FY23 against Rs.95.93 Crore in FY22. There is a constant improvement in the top-line of the firm on y-o-y basis. The firm was able to fetch better margins from the sold products and margins of the company stood at 6.44% in FY23 as compared to 5.53% in FY22. The PAT margins of the firm stood at 2.68% in FY23 as compared to 2.51% in FY22. Also, the firm does have an order book of Rs.44 Crore which will be executed by January 2024. Going forward, the firm is expected to achieve better top-line on an account of the additional capacity added to existing unit of Manesar. In results, the firm will able to fetch higher margins as compared to previous years.

Weaknesses

Working capital intensive operations

The working capital operations of the firm is intensive marked by high GCA days which stood at 232 days as on as on 31st March 2023 against 284 days as on 31st March 2022. Also, the inventory and debtor days of the firm stood at 120 days and 71 days respectively as on 31st March 2023 against 134 days and 92 days respectively as on 31st March 2022. On the other hand, the creditor days of the firm stood at 71 days as on 31st March 2023 against 81 days as on 31st March 2022.

Acuité believes that Jyoti Apparels ability to improve its working capital cycle over the medium term will remain a key rating sensitivity factor.

Customer concentration risk

Jyoti apparels is also susceptible to customer concentration risk as majority of the firm's products are exported to top five clientele. This makes the company highly susceptible to business risk profile of its top clients. Acuité believes that the ability of the entity to expand its customer base in order to mitigate the revenue concentration risk will be a key rating sensitivity factor.

Highly competitive industry and susceptibility of margins to volatility in raw material prices

The garment industry is a highly fragmented industry and presence of large number of organised and unorganised players has created high competition in the industry. Entity faces competition from large players as well as numerous players in the unorganised segment. Further, operating and profitability margins are expected to remain susceptible to fluctuations in the raw material prices.

Rating Sensitivities

- Improvement in revenue and profitability going forward.
- Elongation in working capital cycle resulting in stretch of liquidity

All Covenants

None.

Liquidity Position Adequate

The liquidity profile of the firm is adequate. The firm is able to generate sufficient net cash accruals of Rs.3.69 Crore as on as on 31st March 2023 against the debt repayment obligations of Rs.0.40 Crore in the same period. Going forward, the firm is expected to generate sufficient net cash accruals to repay the debt obligations in near to medium term. Also, the current ratio of the firm stood at 1.11 times as on 31st March 2023 against 1.31 times as on 31st March 2022. The average bank limit utilisation of the firm stood at 83.20% in last twelve months

ending July 2023. The cash and bank balance of the firm stood at Rs.0.69 Crore as on 31st March 2023.

Outlook: Stable

Acuité believes that firm will maintain 'Stable' outlook over the medium term on account of a long track record of operations and experienced management in the industry. The outlook may be revised to 'positive' if the Company registers higher-than-expected growth in its revenues and profitability or further improves its capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case ATMPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration in its financial risk profile and liquidity position.

Other Factors affecting Rating

Not applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	109.10	95.93
PAT	Rs. Cr.	2.93	2.40
PAT Margin	(%)	2.68	2.51
Total Debt/Tangible Net Worth	Times	1.93	1.92
PBDIT/Interest	Times	1.88	2.11

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

Jyoti apparels flagged as Issuer non cooperating from Brickworks at BWR A4 downgraded on 02/02/2023.

Any other information

Not applicable.

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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BB Stable Assigned
Canara Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BB Stable 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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