Press Release
JYOTI APPARELS
January 31, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.00	ACUITE BB | Stable | Assigned	-
Bank Loan Ratings	31.00	ACUITE BB | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	39.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BB' (read as ACUITE double B**o**)**n the Rs. 31.00 Cr. bank facilities of Jyoti Apparels (JA). The outlook is **'Stable'**.
Acuité has assigned the long-term rating of **'ACUITE BB' (read as ACUITE double B**o**)**n the Rs. 8.00 Cr. bank facilities of Jyoti Apparels (JA). The outlook is **'Stable'**.

Rationale for Rating
The rating reflects the firm's stable operations despite challenges, including a decline in exports driven by geopolitical issues. The company has demonstrated an improvement in EBITDA margins, which increased to 7.34% in FY24 from 6.44% in FY23, though its PAT margins declined slightly to 2.51% in FY24 from 2.68% in FY23, primarily due to higher interest costs. Ongoing capital expenditure at the Manesar facility, though delayed by external factors, is expected to enhance production capacity and improve margins upon its completion by June 2025. The rating remains constrained by moderate financial risk, debt associated with the capex and intensive working capital requirements. However, Acuité believes that the liquidity of the firm will remain adequate over the medium term.

About the Company

Established in 1977 in New Delhi, Jyoti Apparels manufactures and exports ready-made garments for women and children. 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

Acuité has taken the standalone view on the business and financial risk profile of Jyoti apparels (JA) 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 supported by the team of experienced professionals in managing day to day operations of Jyoti apparels. The extensive experience of the promoters has enabled the entity to establish a healthy relationship with its customers and suppliers. The firm has a longstanding

relationship with reputed clients, namely Monoprix Exploitation, Next Retail Limited, Cabana Life etc. Also, the firm is having an outstanding order book position of Rs 55 Cr. as on date which will be executed by April 2025 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.

Steady scale of operations

Jyoti Apparels reported a revenue of Rs. 95.24 Cr. in FY24, down from Rs. 109.10 Cr. in FY23, primarily due to a decline in exports driven by geopolitical challenges. Despite this, the company improved its EBITDA margins to 7.34% in FY24, up from 6.44% in FY23, by focusing on selective order delivery. PAT margins slightly decreased to 2.51% from 2.68% due to higher interest costs related to term loans for the Manesar facility expansion. For 9MFY2025, the firm reported a revenue of Rs. 70 Cr, with an order book of Rs. 55 Cr. to be executed by April 2025. The addition of capacity at the Manesar unit is expected to drive higher revenues and margins moving forward. Acuité believes that Jyoti Apparels ability to improve its revenue and profitability going forward will remain a key rating sensitivity factor.

Weaknesses

Moderate Financial Profile

The firm's financial risk profile is moderate, with a net worth of Rs. 36.75 crore as of 31st March 2024, up from Rs. 34.98 crore in the previous year. However, the total debt increased to Rs. 76.63 crore in FY24, resulting in a higher gearing ratio of 2.09 times. This rise in debt is mainly due to capital expenditures, which are expected to be completed by June 2025. As a result, the interest coverage ratio of the firm stood at 1.71 times as on 31st March 2024 against 1.88 times as on 31st March 2023 and the and debt service coverage ratio stood at 1.47 times as on 31st March 2024 against 1.88 times as on 31st March 2023. Despite a slight decrease in the current ratio from 1.04 times as on 31st March 2023 against 1.11 times as on 31st March 2023, Acuité expects the financial risk profile to improve in the near future as the firm does not plan any further debt-funded capex in the medium term.

Working capital intensive operations

The working capital operations of the firm is intensive marked by GCA days which stood at 286 days as on as on 31st March 2024 against 232 days as on 31st March 2023. The inventory and debtor days of the firm stood at 162 days and 76 days respectively as on 31st March 2024 against 120 days and 71 days respectively as on 31st March 2023. The major reason behind the increase in GCA days and inventory days is the hold in orders because of trade route restrictions because of the adverse geopolitical situations which further forced the firm to hold more inventory. On the other hand, the creditor days of the firm stood at 67 days as on 31st March 2024 against 71 days as on 31st March 2023. Acuité believes that Jyoti Apparels ability to improve its working capital cycle over the medium term will remain 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 organized and unorganized players has created high competition in the industry. Entity faces competition from large players as well as numerous players in the unorganized segment. Further, operating and profitability margins are expected to remain susceptible to fluctuations in the raw material prices.

Rating Sensitivities

Movement in revenue and profitability going forward.
Movement in working capital cycle

Liquidity Position

Adequate

Jyoti Apparels maintains an adequate liquidity profile, with net cash accruals of Rs. 3.29 Cr. as of 31st March 2024, compared to debt repayment obligations of Rs. 0.75 Cr. for the same period. The firm is expected to continue generating sufficient cash flows to meet its debt obligations in the near to medium term. As of 31st March 2024, the company's current ratio stood at 1.04 times, slightly down from 1.11 times in FY23. The average bank utilization limit was 100% over the last six months ending December 2024, though the firm's use of the PCFC facility for exports mitigates concerns about this high utilization. The firm has taken on additional debt to support the ongoing capital expenditure at the Manesar facility, it is likely to meet its debt repayment obligations. Acuité believes the liquidity of Jyoti apparels to be adequate in the medium term.

Outlook : Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	95.24	109.10
PAT	Rs. Cr.	2.39	2.93
PAT Margin	(%)	2.51	2.68
Total Debt/Tangible Net Worth	Times	2.09	1.93
PBDIT/Interest	Times	1.71	1.88

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities: 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, Acuité 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Nov 2023	Packing Credit	Long Term	25.00	ACUITE BB | Stable (Assigned)
	Bills Discounting	Long Term	6.00	ACUITE BB | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BB | Stable | Reaffirmed
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BB | Stable | Assigned
Canara Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BB | Stable | Reaffirmed
Canara Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BB | Stable | Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BB | Stable | Assigned

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About Acuité Ratings & Research

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