



Press Release
JAMA CORPORATION PRIVATE LIMITED
February 05, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	84.50	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	99.50	-	-

Rating Rationale

ACUITE has assigned its long term rating of '**ACUITE BB+**'(read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**'(read as **ACUITE A four plus**) on the Rs.99.50 Crore bank facilities of Jama Corporation Private Limited (JCPL). The Outlook is '**Stable**'.

Rationale for Rating

The rating assigned takes into account the experience of the promoters and their established track record of operations for more than three decades in the leather industry specifically in footwear business. Further, the rating also factors in the average financial risk profile of the company marked by low gearing and comfortable debt protection metrics. The gearing of the company stood at 1.12 times as on March 31, 2023 as compared to 0.96 as on March 31, 2022. However, these strengths are partly offset by the working capital intensity in company's operations, vulnerability to foreign currency fluctuation risk, fluctuating scale of operations and exposure to competition in the industry and geographical concentration. Further, the reliance on bank borrowing is high with an average utilization of 95.88% for last eight months ended November 2023.

About the Company

Kanpur Based Company Jama Corporation Private Limited was incorporated on 17th November 1988 under the name M. K. J. Footwear Private Limited. Later, on 7th April 2000, the name of the Company was changed to its present name. The Company is primarily engaged in manufacturing western footwear under the brand name 'OLD WEST'. It is a 100% Export Oriented Unit with branch offices in United States of America, Canada and Germany. The Company is engaged with more than 1,200 sales outlets in United States of America, 400 in Canada & 300 in Germany. The Current Director of Company is Mr. Rajiv Jalan, Mr. Suchi Singh, Mr. Rishi Jalan. Mahendra Kumar Jalan, And Mr. Sanjiv Joneja

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Jama Corporation Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters & established market position in export market for leather

goods

Incorporated in the year 1988, JCPL's operations are led by Mr. Rajiv Jalan, Mr. Suchi Singh, Mr. Rishi Jalan, Mahendra Kumar Jalan, And Mr. Sanjiv Joneja, who possess more than three decades of experience in the leather industry specifically in footwear business. The company has a long established track record of more than three decades which helped them to establish a long standing relationship with customers and established their presence in overseas market. The top management is ably supported by well experienced technical team. The company has its presence through exports across various countries namely USA, UK, , Netherland, Ireland to name a few. The export constitutes 63% of total sales, of which majorly 90% is exported to USA.

Acuité believes that JCPL shall continue to benefit owing to the long experience of the promoters and established brand name in the leather industry.

Average Financial Risk Profile

The financial risk profile of the company is average marked by moderate net worth, gearing and comfortable debt protection metrics. The net-worth of the company stood at Rs.86.82 Crore as on 31st March 2023 as against Rs.84.99 Crore as on 31st March, 2022. The increase in the net-worth is due to accumulation of profits in the reserves. Further, the total debt of the company stood at Rs.96.99 Crore as on 31st March 2023 against Rs.81.44 crore as on 31st March, 2022. The total debt of the company comprises long term debt of Rs.3.14 crore, Short term debt of Rs.92.84 Crore and current maturities of Rs.1.00 crore as on 31st March 2023. Also, the gearing ratio of the company stood moderate at 1.12 times as on 31st march 2023 against 0.96 times as on 31st March 2022. The gearing of the company is slightly deteriorated on an account of addition of the long term debt and higher utilization of short term borrowings. The TOL/TNW ratio of the company stood at 1.16 times as on 31st March 2023 against 1.06 times as on 31st March 2022. The debt protection metrics of the company stood comfortable with interest coverage ratio and debt service coverage ratio of the company stood at 2.37 times and 2.36 times respectively as on 31st March 2023 against 4.65 times and 3.08 times respectively as on 31st March 2022.

Acuité believes that financial risk profile of JCPL is likely to remain the same in the absence of any debt funded capex in near to medium term.

Weaknesses

Stagnant scale of operations

The revenue of the company has slightly declined to Rs 185.81 Cr in FY 2023 as against Rs 195.61 Cr in FY 2022. Further, despite a slight decline in capacity utilization in FY 2023 impacted by Ukraine-Russia war resulted into lesser demand. As of December 2023, the company attained overall revenue of Rs. 167 Cr. Acuité believes that the diversified product range of the company may continue to help to maintain its business risk profile over the medium term. However, the company's operating margin sharply declined to 9.44% in FY 2023 from 12.20% in FY 2022 due to lower capacity utilization and increased in direct costs. However, the PAT margins declined to 0.56% in FY 2023 from 4.56% in FY 2022. The company maintained ROCE level of about 5.20% in FY 2023. Going forward, Acuite believes the profitability margin of the company may sustain at the healthy level backed by growing demand for leather product world-wide.

Working Capital Intensive Operations

The working capital operations of the company is intensive marked by high GCA days which stood at 266 days in FY23 against 230 days in FY22. The GCA days are driven by inventory days which stood at 197 days as on 31st March 2023 against 156 days as on 31st march 2022. Because of the nature of its business, the company's inventory days are consistently higher as conversion of raw material to finished goods take 60 days. The company uses backward integration because it has a leather finishing plant and a beam house. The debtor days stood at 42 days in FY 2023 as against 58 days in FY 2022. On the other hand, the creditor days of the company stood at 6 days as on 31st March 2023 against 17 days as on 31st March 2022. Acuite believes that working capital operations of the company may continue to

remain intensive in near to medium term considering the nature of business with high conversion period.

Competition from organized and unorganized players & Foreign Currency fluctuation risk

The company is engaged in leather industry which is a highly competitive and fragmented industry marked by the presence of a large number of small-to-medium sized players which exposes JCPL to pricing pressure. Since majority of the company's revenue is generated from export sales, this exposes the company to foreign currency fluctuation risk. Hence, the profitability of the company is vulnerable to both fluctuation in pricing and foreign currency.

Rating Sensitivities

- Substantial Improvement in scale of operations and profitability
- Significant Improvement in Working Capital Operations
- Deterioration in financial risk profile

Liquidity Position Stretched

The liquidity profile of the company is stretched due to high reliance on short term bank borrowings with an average limit utilization of fund based facility- Packing credit stood at 95.88% and bill discounting 98.52% in last 8 months ending November 2023. Further, the working capital operations are intensive with high GCA days of 266 days in FY 2023. However, the company have generated net cash accruals of Rs.10.52 Crore against the debt repayment obligations of almost nil. Going forward, the company is expected to generate net cash accruals under the range of Rs.15 Crore against the debt repayment obligations of Rs.1.00 Crore in the near to medium term. The current ratio of the company stood at 1.35 times as on 31st March 2023 against 1.31 times as on 31st March 2022. The The unencumbered cash and bank balance of the company stood at Rs.10.90 Crore as on 31st March 2023 against Rs.4.48 Crore as on 31st March 2022.

Outlook: Stable

Acuité believes that JCPL will maintain a 'Stable' outlook and continue to benefit over the medium term from its experienced management and healthy relations with reputed clientele. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while improving its profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to further deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	185.81	195.61
PAT	Rs. Cr.	1.04	8.91
PAT Margin	(%)	0.56	4.56
Total Debt/Tangible Net Worth	Times	1.12	0.96
PBDIT/Interest	Times	2.37	4.65

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

CRISIL vide its press release dated 30th October 2023, had downgrade the company to CRISIL B/stable/A4; Issuer Not Cooperating.

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>

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
Indian Overseas Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A4+ Assigned
Indian Overseas Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB+ Stable Assigned
Indian Overseas Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	44.50	ACUITE A4+ Assigned
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2027	Simple	5.00	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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