



## RATING RATIONALE

13 Mar 2020

**Jayatma Industries Ltd.**  
(Formerly known as Santaram Spinners Ltd.)

**Brickwork Ratings assigns ratings for the Bank Loan Facilities of ₹ 29.50 Crores of Jayatma Industries Ltd.**

### Particulars

Facility/ Instrument**	Amount (₹ Cr)	Tenure	Rating*
Fund based	15.00	Long Term	BWR BB- (Stable)
	14.50	Short Term	BWR A4
	29.50	INR Twenty Nine Crores Fifty Lakhs Only.	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I&II

### RATING ACTION / OUTLOOK : Stable

BWR has essentially relied on Audited financials upto FY19, provisional financials for 09MFY20, projected financials till FY21, publicly available information and information & clarifications provided by management.

The rating assignment factors in experienced promoters, established track record in cotton ginning business with long standing established relationships with suppliers & clients and locational advantage. However the rating is constrained by thin profit margins, low cash accruals and volatility in raw cotton prices.

BWR believes that Jayatma Industries Ltd. (JIL) business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

### KEY RATING DRIVERS

#### Credit Risks:

- **Thin profit margins and Low cash accruals:** The profitability margin remained thin mainly due to the presence of JIL in the lowest segment of the cotton textile value-chain with limited added value. The PAT margins remain low at 0.33% for FY19 due to which net cash accruals are also very low.
- **Vulnerability to volatile raw material prices:** Raw cotton is the primary raw material for ginning and pressing operations. Raw cotton prices are highly volatile. Its price fluctuation can adversely affect profit margins.

#### **Credit Strengths:**

- **Experienced promoters:** Mr. Nirav shah, CEO and Director of the company is having an experience of 2 decades in cotton ginning, bales and yarn trading business. Other directors are also having vast experience in the cotton ginning and yarn trading business.
- **Established track record of the company:** JIL is having an established track record of more than 3 decades in the business of supplying cotton bales and cotton yarn at competitive price which will continue to support the business.
- **Locational advantage:** JIL is having manufacturing arrangement with cotton ginners located in Limbdi district which is cotton producing belt providing easy access to labour and raw material at cheap price.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

#### **RATING SENSITIVITIES**

##### **Positive:**

- Substantial and sustainable growth in revenue with stable profitability and higher net cash accrual.
- Improvement of financial risk profile and better management of liquidity.

##### **Negative:**

- Fall in revenue and deterioration in profit margins with decline in cash accruals.
- Deterioration of financial risk profile and stretched working capital cycle.

#### **LIQUIDITY POSITION**

VIL's liquidity position is stretched as evident from low net cash accruals due to thin profit margins and high utilization of cash credit facility. However absence of any long term debt will provide financial flexibility to the company.

#### **COMPANY PROFILE**

Jayatma Industries Ltd. incorporated in 1983, as a private limited company, is a flagship company of P. Jayantilal Group of companies which is based in Ahmedabad, Gujarat. It was subsequently converted to a



public company in 1994. It is engaged in the business of cotton ginning along with trading of cotton yarn, cotton bales and cotton seeds. Formerly it was known as Santaram Spinners Ltd. which was changed in Nov'18. JIL is headed by Mr. Nirav Kalyan Shah.

#### KEY FINANCIAL INDICATORS (in INR Cr)

Key Parameters	Units	FY 18-19	FY 17-18
Result Type		Audited	Audited
Operating Revenue	Rs.Crs.	151.01	138.85
EBITDA	Rs.Crs.	2.45	-0.05
PAT	Rs.Crs.	0.51	0.22
Tangible Net Worth	Rs.Crs.	11.45	10.95
Total Debt/Tangible Net Worth	Times	1.71	1.61
Current Ratio	Times	1.21	1.26

#### KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

#### NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY

CRA Name	Date	Amount (Rs. Crs)	Rating
CARE	15 Nov 2019	29.50	CARE B+ (Stable) Issuer not cooperating

#### RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2019	2018	2017
Fund Based	Long Term	15.00	BWR BB-(Stable)	NA	NA	NA
Fund Based	Short Term	14.50	BWR A4/	NA	NA	NA
<b>Total</b>		<b>29.50</b>	<b>INR Twenty Nine Crores Fifty Lakhs Only</b>			

#### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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Jayatma Industries Ltd.

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Union Bank of India Ltd	Cash credit against WHR	15.00	-	15.00
		Bills Discounting under LC	-	14.50	14.50
<b>TOTAL</b>					<b>29.50</b>

**Total Rupees Twenty Nine Crores Fifty Lakhs only.**



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