Rating Rationale

JP Clothings Private Limited

07Jun2019

Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹ 8.00 Crores of JP Clothings Private Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2018)	Present
Fund based	5.00	6.00	Long Term	**BWR B** (BWR Single B) Outlook: Stable	**BWR BB-** (BWR Double B minus) Outlook: Stable **Upgraded**
Non Fund Based	2.00	2.00	Short Term	**BWR A4** (BWR A Four)	**BWR A4** (BWR A Four) **Reaffirmed**
Total	7.00	8.00	INR Eight Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded/Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results till FY18, projected financial statements till FY20, publicly available information and information/clarification provided by the client.

The ratings upgradation has factored the improved revenue and profitability margins of the company. Further BWR has also drawn strength from the experience of the promoters, satisfactory corpus funds etc while assigning the ratings. .

The rating is, however, constrained by moderate liquidity, customer concentration risk, fluctuation in raw material prices and limited pricing flexibility.

Going forward, the ability of the business to maintain growth in revenues, improve profitability margins and liquidity status would be the key rating factors for the rating of the business.

Description of Key Rating Drivers

- **Credit Strengths:**
  The Managing Director of the company, Mr. Piyush Agarwal has over two decades of experience in the same line of business. There has been significant improvement in the company's revenue and profit. The company generated a revenue and profit of Rs. 82.62 Crs and Rs. 2.17 Crs respectively in FY18. The net worth of the company also increased from Rs. 3.93 Crs in FY17 to Rs. 6.11 Crs in FY18. It is very comfortably geared with a gearing ratio of 2.10 times and reported coverage ratios of 5.02% and 3.54%.

- **Credit Risks:**
  The company has a small scale of operations given it was incorporated in 2005 and has a vintage of almost 15 years. They also possess a concentration risk as more than 60% of their sales are made only to one of their mumbai-based customers. Textile garmenting and processing industry is a fragmented industry and comprises numerous small players. This leads to intense competition, thereby limiting its pricing flexibility.

Analytical Approach

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 Outlook: Stable

BWR believes the **JP Clothings Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

J P Clothings Pvt Ltd incorporated in the year 2005 at Velampalayam - Tirupur, Tamil Nadu. It is a family owned business with head office at Kolkata, and manufacturing facilities at Tirupur. J P Clothings Pvt Ltd designs and manufactures casual/sportswear & fashion wear knitted garments. They have long term tie-up with in Tirupur for all the services like Knitting fabricators, Processing House(Soft-flow only) for dyes & chemicals, compactors, printing units, Embroidery units and other facilities.

Company Financial Performance

The Company generated a revenue of Rs. 82.62 Crs and a profit of Rs. 2.17 Crs in FY18 where as in FY17 it generated a revenue of Rs. 49.16 Crs and a profit of Rs. 0.82 Crs. Tangible net worth of the unit increased to Rs. 3.93 Crs in FY18 from Rs. 6.11 Crs in FY17.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History
		Type	Amount (₹ Crs)	Rating	22.03.18
	Fund Based	Long Term	6.00	**BWR BB-** (BWR Double B minus) Outlook: Stable **Upgraded**	**BWR B** (BWR Single B) Outlook: Stable
	Non Fund Based	Short Term	2.00	**BWR A4** (BWR A Four) **Reaffirmed**	**BWR A4** (BWR A Four)
	Total		**8.00**	**₹ Eight Crores Only**	

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

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	82.62	49.16
EBITDA	₹ Cr	4.10	2.35
PAT	₹ Cr	2.17	0.82
Tangible Net worth	₹ Cr	6.11	3.93
Total Debt/Tangible Net worth	Times	2.10	3.03
Current Ratio	Times	1.16	1.14

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

Analytical Contacts	Investor Contacts
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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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