

Rating Rationale

Jagdambay Exports

1 Jun 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 9.95 Crores of Jagdambay Exports..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May, 2018)	Present
Fund based Term Loan Cash Credit	0.73 0.15	0.15 0.20	Long Term	BWR BB Outlook:Stable (Pronounced as BWR Double B Outlook Stable)	BWR BB Outlook Stable (Pronounced as BWR Double B) (Outlook Stable)
PC/PCFC	9.60	9.60	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)
Total	10.53	9.95	INR Nine crores and Ninety Five lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Reaffirmed the rating to BWR BB (Outlook-Stable) / A4 (Pronounced as BWR Double B Outlook Stable / A Four)..

BWR has essentially relied upon the audited financial results of Jagdambay Exports up to FY17, provisional financials for FY18, Projected financials for FY19 & FY20, publicly available information and information and clarifications provided by the company's management.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored in vast experience of the management in the industry, adequate infrastructure, adequate utilization of capacity, Moderate liquidity and long relations with the clients. The rating is, however, constrained by low profitability, Stretched working capital cycle and susceptibility of margins to price volatility of raw materials, due to intense competition.



Going forward, the company increase its scale of operations & improve its profitability, achievement of projected financial and adherence/maintain the condition of various financial covenants stipulated by financial institutes and timely payments of debts /interest will remain the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Management expertise:** Management has more than 2 decades of experience in the same line of business.
- **Company's ability to pay debts:** Moderate Current Ratio at 2.04 times in FY17, indicate the company's ability to pay debt in short run. The company's leverage at 1.52 times in FY17, coupled with moderate debt protection metrics indicates financial flexibility. The ROCE of the company at 7.44 times in FY17 is reasonable. The revenue of the company has grown by 13.96% in FY17. Moderate Net Profit Margin 1.66X in FY17 & Operating Profit Margin 3.44X in FY17.
- **Customer Base:** Long standing relations with the reputed customers.

Credit Risks:

- **Elongated Cash Conversion Cycle:** The conversion cycle was 117 days in FY17.
- **Intense competition in the industry:** The Scale is constrained because of intense competition in the industry with presence of large number of players.
- **Low Profitability:** PAT of Rs. 1.11 crores indicates the low profitability of the company. It indicates company's risk for default may be perceived as high.
- **Risk associated with availability of raw material:** The operations of the company are highly dependent on the availability and timely sourcing of raw material.

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 **Jagdambay Exports** 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



Jagdambay Exports came into existence in 1993 in Ludhiana. Jagdambay Exports is manufacturing and exporting of garments at its manufacturing plant, located in Ludhiana (Punjab). Jagdambay Exports is an export oriented unit with majority of sales comprising exports to various countries. The product line of the firm comprises ready made garments and knitted fabrics, catering to baby wear garment.

Company Financial Performance

Operating Income increased to Rs. 66.75 cr in Fy17 from Rs. 58.57 cr in FY16. PAT increased to Rs. 1.11 cr in FY17 from Rs. 1.06 cr in FY16. Networth increased to Rs. 10.36 cr in FY17 from Rs. 9.38 cr in FY16. Current ratio improved to 2.04 times in FY17 from 1.39 times in FY16.

Rating History for the last three years

S.No.	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	8 MAY 2017	2016	2015
1	Fund Based Term Loan	Long Term	0.15	BWR BB Outlook:Stable (Pronounced as BWR Double B Outlook Stable)	BWR BB Outlook:Stable (Pronounced as BWR Double B Outlook Stable)	NA	NA
2	Cash Credit	Long Term	0.20	BWR BB Outlook:Stable (Pronounced as BWR Double B Outlook Stable)	BWR BB Outlook:Stable (Pronounced as BWR Double B Outlook Stable)	NA	NA
3	PC/PCFC	Short Term	9.60	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)	NA	NA
	Total		9.95				

Key Financial Indicators

Key Parameters	Units	2017 (Audited)	2016 (Audited)
Operating Income	In ₹ Crs	66.75	58.57
EBITDA	In ₹ Crs	2.30	2.29
PAT	In ₹ Crs	1.11	1.06
TNW	In ₹ Crs	10.36	9.38
Total Borrowings	In ₹ Crs	15.72	15.99
Operating Profit Margin	%	3.44	3.91
Net Profit Margin	%	1.66	1.82
Total Debt/TNW	%	1.52	1.70
TOL/TNW	%	3.05	3.26
DSCR	%	1.32	1.31
ISCR	%	2.10	2.16
Current Ratio	%	2.04	1.39

Hyperlink/Reference to applicable Criteria

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



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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.