



Press Release

J G Spinning Mills Private Limited

July 12, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	3.01 (reduced from 23.37)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Downgraded	Simple
Total	3.01 (Rs. Three Crore and One Lakh Only)				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The downgrade of rating assigned to the bank facilities of J G Spinning Mills Private Limited (JGS) takes into account the significant dip in the topline and net profits of FY24 (Provisional, refers to the period April 01, 2023 to March 31, 2024). However, the rating also continues to derive comfort from the long track record of operations under experienced promoters, strategic location of the plant, adequate debt protection metrics, and comfortable operating cycle. These rating strengths are partially constrained by the relatively moderate scale of current operations, significant drop in profits in FY24 (Provisional), highly competitive and fragmented nature of the industry, and exposure to cyclicalities, inherent in the textile industry.

Infomerics has also withdrawn the outstanding long-term rating of 'IVR BB+/ Stable' assigned to the cash credit and dropline overdraft of JGS with immediate effect. The withdrawal has been taken at the request of JGS and 'No Due Certificate' received from ICICI Bank that had



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extended the facilities rated by Infomerics. The ratings are withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

Rating Sensitivities

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals and liquidity.
- Improvement in the capital structure leading to improvement in the debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations under experienced promoters

JGS, in its current form was established in 2003 by Mr. Manish Seksaria. As on date Mr. Seksaria has an experience of more than twenty years in the yarn manufacturing industry and during this period he has built strong relationship with many leading hosiery players in the country. Thus, the experience of Mr. Seksaria and his relationships with end users keeps JGS in good stead across cycles. Mr. Seksaria is ably assisted by other promoters, Mrs. Gunjan Seksaria, and Mrs. Shradha Agarwal who are also reasonably experienced in the yarn manufacturing sector.

Strategic location of the plant



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JGS's manufacturing facility is located in Tirupur, Tamil Nadu, which is in close proximity to the plants of various end user across the value chain of the textile industry. This helps JGS in maintaining close relationships with its customers and supplying yarns to them with minimum lead time.

Adequate debt protection metrics

JGS' CC utilisation increased on March 31, 2024 (Provisional) to INR14.25 crore from INR8.88 crore on March 31, 2023 and its long term loans increased by INR3.04 crore on March 31, 2024 (Provisional). As a result of these and very limited accretion to networth in FY24 (Provisional) because of reduced profits, the overall gearing ratio increased from 1.09x on March 31, 2023 to 1.43x on March 31, 2024 (Provisional) while still remaining satisfactory. Long Term Debt Equity ratio also increased from 0.67x on March 31, 2023 to 0.79x on March 31, 2024 (Provisional) while still remaining satisfactory. ISCR dropped from 3.45x in FY23 to 2.37x in FY24 (Provisional) while DSCR dropped from 1.91x in FY23 to 1.47x in FY24 (Provisional). However, both these ratios remained adequate.

Comfortable operating cycle

While the operating cycle increased from 51 days in FY24 (Provisional) from 32 days in FY23 primarily because of increase in average inventory days from 50 days in FY23 to 90 days in FY24 (Provisional), the operating cycle still continues to be comfortable.

Key Rating Weaknesses

Significant drop in topline and net profits in FY24 (Provisional)

While the EBITDA in absolute term dropped marginally from INR6.93 crore in FY23 to INR6.73 crore in FY24 (Provisional) despite significant fall in revenue, and this was possible because of a significant fall in raw cotton prices in FY24 (Provisional) as well as reduction in other operating costs in FY24 (Provisional) compared to FY23, the absolute PAT fell from INR1.62 crore in FY23 to INR0.69 crore in FY24 (Provisional) because of increased depreciation and interest and finance charges in FY24 (Provisional) compared to FY23. The topline fell from



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INR156.91 crore in FY23 to INR120.50 crore in FY24 (Provisional) because of a significant fall in cotton yarn prices in FY24 (Provisional).

Relatively moderate scale of current operations

The Total Operating Income declined from INR156.91 crore in FY23 to INR120.50 crore in FY24 (Provisional) primarily because of drop in cotton yarn prices. In both these years as well as in the past the scale of operations of JGS continued to be moderate.

Highly competitive and fragmented nature of the industry

The spectrum of the yarn industry in which the company operates is highly fragmented and competitive due to the presence of numerous players in India owing to relatively low entry barriers. Most players in the industry thus do not have pricing power and are exposed to the 4 prices dictated by the large-scale spinners in India. On the raw material side, the prices of cotton are determined by the demand and supply situation and minimum support prices announced by the Government.

Exposure to cyclical, inherent in the textile industry

The textile industry is highly cyclical. Cotton and yarn prices fluctuate based on macroeconomic factors, including, amongst others, demand-supply scenarios, monsoons, etc. Adverse volatility in yarn and/or cotton prices will have an adverse effect on the company's performance.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for manufacturing companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Default Recognition and Post -Default Curing Period](#)

[Policy on withdrawal of ratings](#)



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Liquidity – Adequate

The company had a comfortable current ratio of 1.40x as on March 31, 2024 (Provisional). Current ratio is expected to remain between 1.37x and 1.52x during March 31, 2025 to March 31, 2027. The GCAs of each of the years between FY25 (refers to the period April 01, 2024 to March 31, 2025) and FY27 (refers to the period April 01, 2026 to March 31, 2027) are expected to cover the debt repayments due in the respective years. The Operating Cycle was 51 days in FY24 (Provisional). The average fund based working capital utilisation was high at 91.50% between April 2023 and March 2024. Cash and FD balance as on 31.03.2024 was INR4.53 crore.

About the Company

J G Spinning Mills Pvt Ltd (JGS), a Coimbatore-based company, is engaged in manufacturing/ sale of yarn and fabrics. The key promoter of the company is Mr. Manish Seksaria. The company was incorporated in 1991 as “J G Textiles” at Kolkata. Later, in 2003, the company purchased a sick unit at Coimbatore and shifted its registered office to Coimbatore and was named JGS. The commercial production started from January 2004. JGS has an installed capacity of 32,016 spindles to manufacture yarn in 25-40s counts.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2023	31.03.2024
	Audited	Provisional
Total Operating Income	156.91	120.50
EBIDTA	6.93	6.73
PAT	1.62	0.69
Total Debt	23.29	31.70
Tangible Net Worth (Adjusted)	21.41	22.10
EBDITA Margin (%)	4.42	5.58
PAT Margin (%)	1.03	0.57
Overall Gearing Ratio (Adjusted) (x)	1.09	1.43
Interest Coverage Ratio	3.45	2.37

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Jun 26, 2023	-	-
1.	Term Loans	Long Term	3.01	IVR BB+/ Stable	IVR BBB-/ Stable	-	-
2.	Cash Credit	Long Term	-	Withdrawn	IVR BBB-/ Stable	-	-
3.	Dropline Overdraft	Long Term	-	Withdrawn	IVR BBB-/ Stable	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	Oct 2026	1.72	IVR BB+/ Stable
Term Loan 2	-	-	Feb 2027	1.29	IVR BB+/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-JG-Spinning-12july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: NA

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.