



Press Release

Jai Gopal International Impex Private Limited

April 19, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	20.48	IVR BBB-/ Credit Watch with Developing Implications (IVR Triple B Minus; Credit Watch with Developing Implications)	Assigned	Simple
Short Term Bank Facilities	45.00	IVR A3 (IVR A Three; Credit Watch with Developing Implications)	Assigned	Simple
Total	65.48	Rupees Sixty Five Crore and Forty Eight Lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- and short-term rating of IVR A3 with a Credit Watch with Developing Implications for the bank loan facilities of Jai Gopal International Impex Private Limited (JIPL). The rating has been placed under 'Credit Watch with Developing Implications' considering that there is a contingent liability aggregating to Rs. 26.14 crore against an old case where the company has received notices from various tax authorities. The next CIT appeal in the said case is expected to happen towards the end of April 2022. IVR will continue to monitor the developments and resolve the 'watch' once better clarity emerges.

The rating draws comfort from the established track record of operations and experienced management, moderate operating cycle and JIPL's improved debt protection metrics and financial risk profile during FY21 and 10MFY22. However, these strengths are partially offset by thin profitability margins inherent to trading business, foreign exchange fluctuation risk, customer concentration risk and Intense competition in the industry.

IVR has principally relied on the standalone audited financial results of JIPL upto 31 March 2021, 10MFY22 results and projected financials for FY22. FY23 and FY24, and publicly available information/ clarifications provided by the company's management.



Press Release

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and profitability margins as marked by EBITDA and PAT margins above 3.50% and 1.60% respectively
- Improvement in debt protection metrics
- Sustenance of gearing below 0.40x

Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**

The company commenced its operations in 1992 and has a successful track record of around two decades in the existing line of business. Overall activities of JGIPL are managed by two directors with Mr. Vijender Gupta and his son Mr. Jai Gopal Gupta. Mr. Vijender Gupta has more than 3 decades of experience in trading business. The directors of the company are ably supported by qualified and well experienced management team. Over the years they have built strong relationships with customers and suppliers in domestic as well as overseas markets.

- **Improvement in debt protection metrics and financial risk profile:**

In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) improved to 1.99x in FY2021 as compared to 1.39x in FY2020, and the debt service coverage ratio (DSCR) improved to 1.68x in FY2021 as compared to 1.15x in FY2020. The tangible networth marginally improved to Rs. 19.95 crore in FY2021 from Rs. 18.17 crore in FY2020. The total operating income (TOI) improved by ~52.24% to Rs. 227.41 crore in FY2021 from Rs. 149.38 crore in FY2020. In 10MFY22 the company achieved TOI of Rs. 182.00 crore with a PAT of Rs. 1.32 crore. The company has orders in hand of Rs. ~60 crore as on 31st January 2022 which needs to fulfill before March end.

- **Moderate operating cycle:**

The operating cycle of the company improved and stood at 16 days for FY2021 as against 65 days for FY2020 mainly on account of better management of inventory holding period and timely realization of its receivables. The company is required to maintain adequate inventory of traded goods of around 2-3 months on account of high lead time for procurement and to cater the immediate demands of its customers. Further, being in a highly competitive business, the company normally extends credit period of around 2 months to its customers resulting into average collection period of 49 days in



Press Release

FY2021. The company had high payable period due to high proportion of LC-backed creditors since the company purchases mainly through imports backed by LC.

Key Rating Weaknesses

- **Thin profitability margins inherent to trading business:**
The profitability margins of the company have been historically on the lower side owing to low value addition nature and highly competitive nature of industry. Operating profit margins increased to 2.47% in FY2021 from 2.24% in FY2020 due to increase in TOI. PAT margins also increased to 0.78% in FY2021 from 0.14% in FY2020.
- **Customer concentration risk:**
Top 4 customers contributed around 71.40% of the company revenue's which exposes it to the risk of significant revenue loss in case of loss of any of these customers.
- **Intense competition in the industry:**
The PVC resin and timber trading sector is highly competitive, comprising many players in the organized segment as well as unorganized segment due to low entry barriers. This results in intense competition which has a cascading effect on the player's margins.
- **Foreign exchange fluctuation risk:**
JGIPL meets ~76% in FY2021 of its procurement through imports from countries such as Malaysia, Taiwan, South Korea, Singapore, Ghana, New Zealand, Canada, China, Thailand, etc. However, the traded goods are completely sold in the domestic market. With initial cash outlay for procurement in foreign currency and inflows in domestic currency, the company is exposed to the fluctuation in foreign exchange rates. JGIPL does not have any defined hedging policy in place which may result in foreign exchange fluctuation gain or loss. However, the foreign exchange risk is partially mitigated as the company hedges around 75% of total imports transactions.

Analytical Approach: For arriving at the ratings, IVR has analysed JIPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Trading Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



Press Release

Liquidity – Adequate

The company has an adequate liquidity position. There are no long-term borrowings from banks/ NBFC as on 31st March 2021. Against NIL current portion of long-term debt (CPLTD) in FY21, the company had a cash accrual of Rs. 1.91 crore in FY2021. The company projected to generate cash accruals of Rs. 3.10 crore in FY2022 against NIL CPLTD. The average utilization of fund based working capital limits of the company stood low at ~38% during last 12 months ending 28th February 2022.

About the Company

Jai Gopal International Impex Private Limited (JGIPL) was incorporated in January 1992. The company is currently engaged in trading and processing of timber wood logs and PVC Resins. The company entered trading of PVC Resins from April 2020 onwards. The company is currently managed by two directors named Mr. Vijender Gupta and Mr. Jai Gopal Gupta. The company procures timber logs from international market mainly from Africa, New Zealand, Malaysia, Canada, Germany, and some other Asian Countries, while PVC resins gets imported from China, Thailand, Taiwan and South Korea. The company sells its products to wholesalers located in Uttar Pradesh, Delhi & Maharashtra.

Financials (Standalone):

(Rs. crore)		
For the year ended as on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	149.38	227.41
EBITDA	3.34	5.61
PAT	0.21	1.78
Total Debt	22.92	12.06
Tangible Networkth	18.17	19.95
EBITDA Margin (%)	2.24	2.47
PAT Margin (%)	0.14	0.78
Overall Gearing Ratio (x)	1.26	0.60

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



Press Release

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	20.48	IVR BBB-/Credit Watch with Developing Implications (Assigned)	-	-	-
2.	Non-Fund Based	Short Term	45.00	IVR A3/Credit Watch with Developing Implications (Assigned)	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International



Press Release

Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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
Cash Credit	-	-	-	5.00	IVR BBB-/ Credit Watch with Developing Implications
Cash Credit/OD	-	-	-	15.48	IVR BBB-/ Credit Watch with Developing Implications
Letter of credit	-	-	-	45.00	IVR A3/ Credit Watch with Developing Implications

Annexure 2: List of companies considered for consolidated analysis: Not Applicable



Press Release

Annexure 3: Facility wise lender details

[Len-Jai-Gopal-Apr22.pdf \(infomerics.com\)](#)

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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