



Press Release

Jama Corporation Pvt. Ltd.

October 04, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.14	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	84.50	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	98.64	Rupees Ninety-Eight Crore and Sixty-Four Lakh only		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the rating assigned to the bank facilities of Jama Corporation Pvt. Ltd. is on account of experienced promoters, long track record of the company, synergies through backward integration and moderate capital structure.

The ratings, however, are constrained by working capital intensive nature of business, vulnerability to foreign currency risk, moderately weak debt coverage indicators, fluctuating scale of operations with decline in profitability, and intense competition in the industry.



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Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the working capital management with further improvement in operating cycle.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- 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

- **Experienced promoter and long track record of the company**

The promoters have relevant and vast experience respectively in leather industry specifically in footwear business. The long-standing experience of the management has also resulted in established relationships with customers resulting in repeat orders.

- **Synergies through backward integration**

The company's leather requirement is fulfilled by themselves only, they do not take the leather required for making the finished product, i.e., the leather shoe from outside. Jama has its own state-of-the-art Beamhouse and Leather Finishing Unit ensuring consistent and top quality leather for its shoes. All leathers manufactured are REACH compliant. The Company has a fully equipped in-house testing lab to carry out the necessary physical and chemical tests on wet blue and finished leather.

Both the tanneries are equipped with a "Zero Liquid Discharge" (ZLD) Effluent Treatment Plant and Reverse-Osmosis (RO). In order to conserve water, the tanneries recycle about 70-80% of water, hence reducing water consumption.

Key Rating Weaknesses



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- **Working capital intensive nature of business**

Gross current assets were 291 days as on March 31, 2023(P), driven by high inventory and debtors period of 115 days and 131 days, respectively. Inventory requirement is high due to varied product portfolio and large customer base. Working capital cycle is not significantly supported by creditors of 6 days.

- **Vulnerability to foreign currency risk**

The company is exposed to foreign exchange currency risk as it doesn't use any specific hedging mechanism. Its total unhedged forex exposure stands at Rs.15.27 crores as on 30th June, 2023. High unhedged forex exposure on account of major reliance on exports makes the company vulnerable to foreign currency risk.

- **Moderately weak debt coverage indicators albeit moderate capital structure**

The Overall Gearing ratio remained almost same and stood at 0.80 times as on March 31, 2021 and 0.83 times as on March 31, 2022 and the same further moderated to 1.01 times as on March 31, 2023. TOL/TNW also moderated from 0.86 times as on March 31, 2021 to 0.92 times as on March 31, 2022, and the same further moderated to 1.05 times as on March 31, 2023.

The debt protection metrics improved marked by Interest Coverage Ratio of 6.98 times in FY22(FY 21: 2.09 times), the same moderated to 1.93 times in FY23, and Debt Service Coverage Ratio of 4.43x in FY22 (FY21: 1.54x), the same moderated to 2.33x in FY23.

Total Debt to GCA improved and stood at 3.64 years in FY22 against 12.13 years in FY21, however, the same deteriorated to 11.74 years in FY23.

Tangible Net Worth of the company increased from Rs.86.74 Cr. as on 31st March 21 to Rs. 98.60 Cr. as on 31st March 22, however, the same declined to Rs. 96.43 as on 31st March 23.



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- **Fluctuating scale of operations with decline in profitability**

TOI of Jama Corporation Pvt. Ltd. has increased from Rs. 86.26 Crore in FY21 to Rs. 157.85 Crore in FY22, however, the same has declined to Rs. 147.08 Crore in FY23. The reason for the decline in TOI by 6.82% in FY23 is due to decline in the export sales.

The profitability margins of the company like EBITDA margin increased from 11.85% in FY21 to 16.12% in FY22, however, it declined to 7.60% in FY23. The operating margin declined due to high raw material consumption cost and high employee expenses. The company has reported net loss in FY23 as against PAT of Rs.13.44 crore in FY22. Gross Cash Accrual of the company declined by 63.05% i.e from Rs. 22.35 Crore in FY22 to Rs. 8.26 Crore in FY23.

- **Intense competition in the industry**

The footwear industry is highly fragmented with the presence of many established brands and a large number of unorganised players in the market. The company also faces intense competition from the online retail segment. Further, the company remains susceptible to continuous changes in manufacturing style & design and pricing from other shoe manufacturing units in the region of Uttar Pradesh, thus, restricting their pricing power.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)



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Liquidity – Adequate

Comments on liquidity: The liquidity position of the company is expected to remain adequate on the expectation of sufficient cushion in cash accruals against debt repayment obligations.

The company had unencumbered cash and bank balances of Rs. 8.46Cr. as on May 31, 2023. The current ratio stood at 1.20x as on March 31, 2023. The operating cycle was of 239 days in FY23, as compared to 190 days in FY22. The average utilization of fund-based limits for 12 months ending August '23 is 73.92%.



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About the Company

Jama Corporation Private Limited was incorporated on 17th November 1988 under the name M. K. J. Footwear Private Limited. Later, on 7th April 2000, the name of the Company was changed to its present name. The Company is primarily engaged in manufacturing western footwear under the brand name 'OLD WEST'. It is a 100% Export Oriented Unit with branch offices in United States of America, Canada and Germany. The Company is engaged with more than 1,200 sales outlets in United States of America, 400 in Canada & 300 in Germany.

Financials (Standalone):

For the year ended/As on*	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	157.85	147.08
EBITDA	25.44	11.18
PAT	13.44	-1.72
Total Debt	81.44	96.99
Tangible Net Worth	98.60	96.43
Ratios		
EBITDA Margin (%)	16.12	7.60
PAT Margin (%)	8.34	-1.14
Overall Gearing Ratio (x)	0.83	1.01

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: Crisil has classified ratings of the company under Issuer Not Cooperating category as per PR dated August 30, 2022, due to non-availability of relevant information.

Any other information: Not Applicable



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Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (July 06, 2022)
1.	Fund based bank facility- Term Loan	Long Term	4.14	IVR BB+/ Stable	IVR BB+/ Stable
2.	Fund based bank facility- Cash Credit	Long Term	10.00	IVR BB+/ Stable	IVR BB+/ Stable
3.	Fund based bank facility- Packing Credit	Short Term	34.50	IVR A4+	IVR A4+
4.	Fund based bank facility- FDDBP	Short Term	50.00	IVR A4+	IVR A4+

Name and Contact Details of the Group Head:

Name: Harsh Raj Sankhla

Tel: (011) 45579024

Email: harshraj.sankhla@infomerics.com



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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.

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

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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
Long Term Fund Based Bank Facility- Term Loan	-	-	September, 2027	4.14	IVR BB+/ Stable
Long Term Fund Based Bank Facility- Cash Credit	-	-	-	10.00	IVR BB+/ Stable
Short Term Fund Based Bank Facility- Packing Credit	-	-	-	34.50	IVR A4+
Short Term Fund Based Bank Facility- FDDBP	-	-	-	50.00	IVR A4+



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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Jama-oct23.pdf>

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 www.infomerics.com.