

Jay Kishan Fibre Private Limited

Instrument	Amount (Rs. in crore)	Rating Action
Fund based -Cash Credit Limit	12.00	Revised to [ICRA]B from [ICRA]B+
Short Term - Fund Based – Warehousing Limit	5.00	[ICRA]A4; Reaffirmed
Non Fund Based - FDBP	2.50	[ICRA]A4; Reaffirmed

ICRA has revised downwards the long term rating assigned to Rs. 12.00 crore long term cash credit facility of Jay Kishan Fibre Private limited (JFPL) to [ICRA]B (pronounced ICRA B) from [ICRA]B+ (pronounced ICRA B Plus). ICRA has also reaffirmed the short term rating to [ICRA]A4 (pronounced ICRA A four) to the Rs. 5.00 crore warehousing facility and Rs. 2.50 crore FDBP limits of JFPL.

The revision of rating continues to be constrained by JKFPL's de-growth in revenue witnessed in FY2015-16. The financial profile of the company also remained weak as can be reflected from its low profitability, weak debt coverage indicators and highly leveraged capital structure on account of higher working capital utilizations. The ratings are further constrained by the highly competitive and fragmented industry structure owing to low entry barriers; and the vulnerability of the company's profitability to raw material (i.e. cotton) prices, which are subject to seasonality, crop harvest and regulatory risks.

The rating, however, favorably factors in long experience of the promoters in the cotton industry and location advantage of the company by virtue of its location in the cotton producing belt in Gujarat.

ICRA expects JKFPL's revenues to witness marginal growth of ~10% during FY2016-17 mainly due to weak market conditions faced by cotton industry. The profitability is expected to be in line with the previous fiscals given the stable outlook on prices. However the company's ability to scale up the operations would be largely contingent to improvement in international demand, given the seasonality in the business, volatility in prices of cotton, high competitive intensity and uncertain regulatory scenario. Further the company's ability to infuse funds to support its capital structure and manage its working capital efficiently would be a key rating monitorable.

Company Profile

Incorporated in 2005, Jay Kishan Fibre Private Limited (erstwhile Kutch Ginning and Spinning Private Limited) is engaged in the business of ginning and pressing of raw cotton to produce cotton bales and cotton seeds. The company is also engaged in crushing of cotton seeds to produce cotton seed oil and oil cake. The manufacturing facility of the company is located at Bhuj-Kutch Gujarat and is currently equipped with 36 ginning machines and 1 pressing machine having a capacity to produce 300 cotton bales per day. The company is also equipped with 10 expellers having the capacity to manufacture 10 tons of wash oil per day. The company has two associate concerns namely Markwell Spinning Pvt Ltd involved in spinning operations and Mayur Enterprise engaged in processing of groundnut seeds and trading of agro products.

Recent Results

For the year ended 31st March, 2015, the company reported an operating income of Rs. 44.96 crore with profit after tax (PAT) of Rs. 0.04 crore. Further during FY2015-16 as per provisional unaudited numbers; the company has reported operating income of Rs. 38.71 crore with profit after taxes of Rs. 0.09 crore.

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