January 31, 2025

Jiwarajka Textile Industries: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based – Term Loans	10.50	74.42	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Long-term Fund-based – Cash Credit	45.00	65.00	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Short-term non-fund based facilities	5.25	7.25	[ICRA]A2+; reaffirmed and assigned for enhanced amount
Long-term / Short-term – Unallocated Limits	11.25	0.33	[ICRA]A- (Stable)/ [ICRA]A2+; reaffirmed
Total	**72.00**	**147.00**	

** Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of the ratings of Jiwarajka Textile Industries (JTI) continues to consider the satisfactory operational and financial performances of the firm in FY2024, despite industry-wide headwinds in the export markets and muted demand growth. The operating income and the operating profit margin (OPM) of JTI moderated by ~3% and 60 basis points (bps) to ~Rs. 515 crore and ~3.4% on a YoY basis in FY2024 mainly due to volatility in raw material prices and moderation in realisations during the year. However, the same are likely to improve gradually going forward as the firm has already achieved a top line of ~Rs. 423 crore in 9M FY2024 with an operating profit of ~Rs. 16 crore on account of stabilsation of raw material prices. The firm's return on capital employed (RoCE) moderated in FY2024 primarily due to contraction in its profitability and ICRA does not expect any major improvement in the near term. Nevertheless, the capital structure and debt protection metrics are expected to remain at comfortable levels in the near-to medium term, though TD/ OPBDITA is likely to be adversely impacted in FY2026 on the back of ongoing debt-funded capex to add capacity for manufacturing industrial drawn yarn (IDY) and mother yarn.

The ratings continue to be supported by the firm's track record of healthy capacity utilisation and higher proportion of value added texturised yarn in the overall product mix. Further, prudent working capital management by the firm, as reflected by an average working capital utilisation of ~37% over the past 18 months ending in September 2024, provides adequate liquidity buffer. JTI's gearing is likely to improve in FY2025 from 0.4 times as on March 31, 2024 due to accretion of reserves. However, the same may witness some moderation in FY2026 and FY2027 due to the drawdown of term loan contracted for the ongoing capex, but it would remain at a conservative level. JTI's debt coverage indicators are expected to remain adequate with an interest cover of more than 4.0 times and DSCR of more than 2.5 times over the medium term.

The ratings, however, continue to be constrained by the firm's moderate scale of operations and vulnerability of its revenue and margins to volatility in the prices of its key raw materials, which exhibit high correlation with volatile crude oil prices. The ratings also factor in the intense competition in the industry and the commoditised nature of products, which limit the firm's pricing flexibility. The risk of capital withdrawal from the firm, which could adversely impact its liquidity profile and the net worth base, also puts pressure on the ratings.

The Stable outlook on the long-term rating reflects ICRA's expectations that JTI would be able to maintain its business positioning while sustaining the profitability levels with limited debt servicing obligations.

Key rating drivers and their description

Credit strengths

Healthy capacity utilisation, wide product portfolio and a diversified customer base – JTI's capacity utilisation has remained above 95% over the past five years, with the firm recording production of ~66,000 metric tonnes in FY2024. The utilisation levels are supported by a wide product portfolio of manmade yarn, which enables the firm to serve a large market segment. The product mix of JTI is dominated by value-added texturised yarn and fully drawn yarn, which account for more than 50% of its revenues. The firm's business remains diversified with the top five customers accounting for ~25% of its revenue and exports contributing less than 10% to revenue in FY2024.

Comfortable capital structure and healthy debt protection metrics, but would moderate to an extent going forward, given the ongoing debt-funded capex – The firm's debt profile as on March 31, 2024 comprised term loans worth ~Rs. 11 crore, working capital borrowings worth ~Rs. 23 crore and unsecured loans from promoters and their relatives worth ~Rs. 10 crore. JTI's capital structure remains comfortable with a gearing of 0.4 times and TOL/TNW of 0.5 times in FY2024. However, JTI's debt coverage metrics are likely to moderate over FY2026 and FY2027 due to sizeable ongoing debt-funded capex for which the firm expects to take the disbursement of Rs. 65 crore in Q1 FY2026. Nonetheless, ICRA expects JTI's debt coverage indicators to remain adequate with an interest cover of more than 4.0 times and DSCR of ~2.5 times in the near-to-medium term.

Moderate working capital intensity of operations – JTI's working capital intensity remains moderate, characterised by net working capital/operating income remaining below 25% over the last five years on account of prudent inventory and receivables management. The firm maintains raw materials inventory of 40-50 days to mitigate the price risk. On the receivables front, domestic customers are extended a credit period based on market conditions. However, for export orders, the firm seeks an advance of 10-20% on order confirmation and receives the balance within an average of 60 days on receipt of goods.

Extensive experience of partners in the textile industry – The firm commenced operations in 1985 as a yarn trading enterprise and subsequently ventured into yarn spinning in 1992, following the acquisition of Saheli Industries. Its partners have a long experience spanning more than three decades in the manmade yarn industry and have established relationships with key customers and suppliers.

Credit challenges

Susceptibility of revenue and profit margins to volatility in prices of raw materials and finished goods – The firm's primary raw material, polyethylene terephthalate (PET) chips, is a crude oil derivative, price of which is highly correlated with that of crude oil. The price of polyester yarn is also market driven and is loosely correlated with the price of crude oil. Any adverse movement in the prices of raw materials may lead to a moderation in the firm's gross margins, translating into lower cash accruals.

Sizeable ongoing debt-funded capex – JTI is in the process of implementing a sizeable debt-funded capex of around Rs. 90-95 crore to add new manufacturing capacity for industrial drawn yarn (IDY) and mother yarn. The same is to be funded by a term loan of Rs. 65 crore and the balance through capital infusion and internal accrual. The funding risk remains low, given the financial closure has already been achieved and the partners have already infused ~Rs. 19 crore in the current fiscal to fund the project. Nevertheless, execution of the planned capex within the budgeted time and cost will remain critical from the credit perspective. The manufacturing capacity of IDY is expected to be commissioned by June-July 2025 and production of mother yarn is likely to be commissioned by Q3 FY2026. Successful commissioning of the project will enable the firm to diversify its product range with incremental revenue, coupled with slightly high margins.

Commoditised nature of products and fragmented industry structure limit pricing flexibility – The polyester textiles industry in India is characterised by intense competition owing to the high level of fragmentation and low entry barriers across the value chain. Further, polyester yarn is a commodity with limited scope for product differentiation and its prices are determined by the market. This limits the pricing flexibility available to the firm.

Risk of capital withdrawal from the partnership firm – The partnership constitution of JTI exposes it to the risk of capital withdrawal by the partners, which could have an adverse impact on its net worth base, capital structure, debt coverage metrics and liquidity profile.

Liquidity position: Adequate

JTI's liquidity remains adequate, given that the entity has an unutilised working capital limits of ~Rs. 44 crore as on September 30, 2024 (with commensurate drawing power). ICRA expects the firm to generate fund flow from operations of over Rs. 11 crore in FY2025 and the same is likely to improve further in FY2026 and FY2027. Against this, the firm has limited annual debt repayment obligation of ~Rs. 2.2 crore in next two years. ICRA also derives comfort from the healthy liquidity buffer available to the firm owing to low average utilisation of bank limits, which stood at ~37% of the sanctioned limits over the 12-month period ending on September 30, 2024. The firm has taken sanction of a new term loan of Rs. 65 crore in December 2024 and infused capital of Rs. 19 crore in January 2025 to fund its capex plan for adding new capacity of IDY and mother yarn in FY2026. ICRA also notes that the new term loan does not have any immediate repayment obligation owing to moratorium of 2 years from the date of its disbursement (disbursement expected in Q1 FY2026), providing comfort to the liquidity over the medium term. However, sizeable debt-funded capex and the risk of capital withdrawals constrain the firm's liquidity profile.

Rating sensitivities

Positive factors – ICRA may upgrade JTI's ratings if the firm registers a healthy growth in revenue and earnings while improving its profit margins and debt protection metrics and liquidity on a sustained basis.

Negative factors – Pressure on JTI's ratings could emerge if a substantial decline in revenue and/or profitability puts pressure on the cash accruals or if a deterioration in the working capital cycle weakens the liquidity profile on a sustained basis. Any additional sizeable debt-funded capex and any sizeable capital withdrawal by the partners, impacting the liquidity profile, could also put pressure on the ratings. Specific credit metrics that may result in ratings downgrade include DSCR below 1.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate credit rating methodology Textiles - Spinning
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Jiwarajka Textile Industries (JTI) is a partnership firm engaged in manufacturing and marketing of man-made yarn including polyester texturised yarn (PTY), partially oriented yarn (POY) and fully-drawn yarn (FDY) along with dope-dyed yarn. It has 18 texturised machines and 145 winding machines at its facilities in Daman and Silvassa with a manufacturing capacity of ~53,000 metric tonnes per annum (MTPA).

Registered in 1985, JTI started with trading in yarn. After having a strong foothold in the market, JTI advanced into fabric manufacturing by hiring a number of power looms. At this stage, JTI was supplying yarn to its manufacturing unit and selling the fabric in the market. In 1988, JTI decided to include the dealership of Petrofils Co-op Ltd. under its umbrella to increase its profitability. JTI took its next big step towards yarn production in FY1992, when it bought Saheli Industries (a sick unit in Daman) from Union Bank of India. This unit was producing texturised yarn with a capacity of 500 MTPA. By FY 1994, JTI turned around Saheli Industries from a sick unit into a profit-making unit.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	531	515
PAT	9.4	7.4
OPBDIT/OI	4.0%	3.4%
PAT/OI	1.8%	1.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.5
Total debt/OPBDIT (times)	1.5	2.5
Interest coverage (times)	7.9	4.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs. crore)	January 31, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	74.42	**[ICRA]A- (Stable)**	Dec 29, 2023	**[ICRA]A- (Stable)**	Sep 08, 2022	**[ICRA]A- (Stable)**	Nov 22, 2021	**[ICRA]A- (Stable)**
Cash Credit	Long term	65.00	**[ICRA]A- (Stable)**	Dec 29, 2023	**[ICRA]A- (Stable)**	Sep 08, 2022	**[ICRA]A- (Stable)**	Nov 22, 2021	**[ICRA]A- (Stable)**
Bank Guarantee	Short term	7.25	**[ICRA]A2+**	Dec 29, 2023	**[ICRA]A2+**	Sep 08, 2022	-	Nov 22, 2021	-
Unallocated Limits	Long term/ Short term	0.33	**[ICRA]A- (Stable)/ [ICRA]A2+**	Dec 29, 2023	**[ICRA]A- (Stable)/ [ICRA]A2+**	Sep 08, 2022	**[ICRA]A- (Stable)/ [ICRA]A2+**	Nov 22, 2021	**[ICRA]A- (Stable)/ [ICRA]A2+**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loans	Simple
Long-term fund-based – Cash Credit	Simple
Short-term non-fund based facilities	Very Simple
Long-term/ Short-term – Unallocated Limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loans**	FY2022	8.5-9.5%	FY2034	74.42	[ICRA]A- (Stable)
NA	**Cash Credit**	NA	NA	NA	65.00	[ICRA]A- (Stable)
NA	**Bank Guarantee**	NA	NA	NA	7.25	[ICRA]A2+
NA	**Unallocated Limits**	NA	NA	NA	0.33	[ICRA]A- (Stable)/ [ICRA]A2+

Source: Supertron Electronics Private Limited

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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