Rating Update

February 18, 2025 | Mumbai

Jaipan Industries Limited

Update as on February 18, 2025

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Improvement in revenue and sustenance of operating profitability leading to higher cash accruals.
- Improvement in debt protection metrics with interest coverage of above 1.5 times.

Downward factors:

- Continued decline in revenue or profitability, impacting its debt servicing ability.
- Stretch in working capital cycle weakening financial risk profile and liquidity, with TOLANW above 2 times.

Crisil Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, Crisil Ratings seeks regular updates from companies on the business and financial performance. Crisil Ratings is, however, awaiting adequate information from Jaipan Industries Limited (JIL) which will enable us to carry out the rating review. Crisil Ratings will continue provide updates on relevant developments from time to time on this credit.

Crisil Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

JIL, incorporated in 1981 by Mr J N Agrawal, markets various home appliance which includes products such as includes mixers & grinders, air fryers, pressure cooker, toasters, irons, lunch boxes, dinnerware under the Jaipan brand. It is based in Mumbai and is listed on the Bombay Stock Exchange.

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Rating Rationale

January 18, 2024 | Mumbai

Jaipan Industries Limited

Long-term rating downgraded to 'CRISIL B/Stable'; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.5 Crore**
Long Term Rating	**CRISIL B/Stable (Downgraded from 'CRISIL B+/Stable')**
Short Term Rating	**CRISIL A4 (Reaffirmed)**

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1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its rating on the long term bank facilities of Jaipan Industries Limited (JIL) to **'CRISIL B/Stable'** from 'CRISIL B+/Stable' while reaffirming the short term rating at 'CRISIL A4'.

The downgrade in the ratings reflects the expected deterioration of the credit profile of the company due to the fire breakout at its facility. Though the company has commenced contract manufacturing to fulfil its order commitments, the business profile is expected to remain under pressure until the company is able to restart and stabilize its operations. Liquidity is also expected to remain under pressure as net cash accruals remain insufficient against repayment obligations in fiscal 2024. However, timely support from promoters and available cushion in bank lines should continue to support the working capital requirements and repayment obligations.

The rating reflects extensive experience of JIL's promoters in the home appliances industry and its comfortable capital structure. These rating strengths are partially offset by modest scale of operations amidst intense competition, its working capital-intensive nature of operations and below average debt protection metrics.

Analytical Approach

Unsecured loans of Rs 17 Lakhs as on March 31, 2023 has been treated as debt.

Key Rating Drivers & Detailed Description

Weaknesses:

- **Decline in scale of operations amidst intense competition and volatile operating margins:** Revenues of the company have declined in H1 FY2024 to Rs. 9.3 crore as compared to Rs. 39.2 crore in fiscal 2023. This is due to lower demand in the export market. Further, operating margins have remained volatile in the range of 2.4-4.4% for the past few fiscals. This is due to fluctuation in raw material prices. However, the margins have been significantly impacted in H1 FY23 with operating loss due to significant increase in raw material prices and lower economies of scale due to decline in revenues. Business profile is further impacted in Q4FY2024 due to the fire accident in the manufacturing facility, and hence operations of the company are disrupted.

  JIL is yet to establish presence in other product segments, besides mixer grinder, resulting in a small scale of operations. Intense competition in the home appliances segment dominated by large, branded players, will constrain scalability. Improvement in revenues and operating margins would be a key monitorable over the medium term.

- **Working capital-intensive operations:** The operations of the company remain working capital intensive as highlighted by gross current asset of around 230 days as on March 31, 2023. This is majorly driven by high debtors as well as inventory of 116 and 91 days respectively. This is because the company offers a high credit period to its customers. The company also maintains an average inventory of around 90 to 100 days due to the business requirements. The overall working capital cycle is expected to remain large.

- **Below average debt protection metrics:** Due to the decline in scale of operations, the debt protections metrics have been significantly impacted in H1 FY2024 with negative interest coverage and is expected to remain subdued in fiscal 2024. Improvement in debt protection metrics with the increase in the scale of operations and operating margins would be a key monitorable over the medium term.

Strengths:

- **Extensive industry experience of promoter:** The promoters have an experience of over 2 decades in the home appliance segment, this has enabled them to understand the business and industry dynamics and helped establish strong relationship with customers and suppliers. The company has wide range of product portfolio which includes mixers & grinders, air fryers, pressure cooker, toasters, irons, lunch boxes, dinnerware which would help in sustaining the revenue growth over the medium term.

- **Comfortable capital structure:** Due to limited reliance on the outside borrowing the capital structure is marked by comfortable gearing and total outside liabilities to adjusted networth ratios at 0.34 times and 0.79 times, respectively, as on March 31, 2023. Though the dependence on the external debt is expected to increase to support the working capital requirement, capital expenditure is expected to remain comfortable driven by steady accretion to reserves.

Liquidity: Poor

Cash accruals are expected to remain under pressure in fiscal 2024 and would remain insufficient against annual repayment obligation of Rs 0.14 crore over the medium term. Liquidity is however supported by Bank limit was utilised at an average of 50% over the 12 months through October 2023. Cash and bank balance stood at Rs 0.87 crore as on Sept 30, 2023, while unsecured loans were of Rs. 0.17 crore as on March 31, 2023

Outlook: Stable

CRISIL Ratings believes JIL will continue to benefit from the extensive experience of its promoters.

Rating Sensitivity Factors

Upward factors

- Improvement in revenue and sustenance of operating profitability leading to higher cash accruals.
- Improvement in debt protection metrics with interest coverage of above 1.5 times.

Downward factors

- Continued decline in revenue or profitability, impacting its debt servicing ability.
- Stretch in working capital cycle weakening financial risk profile and liquidity, with TOLANW above 2 times.

About the Company

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Key Financial Indicators

As on/for the period ended March 31	Unit	H1 2024	2023	2022
Operating income	Rs.Crore	9.27	39.15	23.34
Reported profit after tax	Rs.Crore	-0.63	1.42	0.11
PAT margins	%	-6.81	3.6	0.5
Adjusted Debt/Adjusted Networth	Times	0.35	0.34	0.31
Interest coverage	Times	-3.11	2.30	1.67

Status of non cooperation with previous CRA

JIL has not co-operated with India Ratings and Research Private Limited which has marked it Non-cooperative vide its circular dated November 1, 2017. The reason provided by India Ratings and Research Private Limited is non furnishing of information by JIL.

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	4	NA	CRISIL B/Stable
NA	Packing Credit	NA	NA	NA	1	NA	CRISIL A4

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	5.0	CRISIL B/Stable/ CRISIL A4		--	23-11-23	CRISIL B+/Stable/ CRISIL A4		--	28-12-21	CRISIL BB-/Stable /CRISIL A4+	CRISIL BB/Stable /CRISIL A4+
			--		--	14-02-23	CRISIL BB-/Stable /CRISIL A4+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	4	Bank of Baroda	CRISIL B/Stable
Packing Credit	1	Bank of Baroda	CRISIL A4

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Consumer Durable Industry
CRISILs Approach to Recognising Default
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