

Rating Advisory

November 30, 2019 | Mumbai

Junction Fabrics And Apparels Limited

Advisory as on November 30 2019

This rating advisory is provided in relation to the rating of Junction Fabrics And Apparels Limited

The key rating sensitivity factors for the rating include:

- Sustainability of business relations with key customers
- Capital expenditure and its funding mix
- Working capital management

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Junction Fabrics And Apparels Limited(JFA) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If JFA continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the company

Incorporated in 2011 and promoted by Mr Prem Dhinanath Aggarwal and family, Tiruppur-based JFA manufactures T-shirts under the Hylex and Monk brands.

Please note: This advisory should not be construed as a rating reaffirmation.

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Rating Rationale

July 25, 2018 | Mumbai

Junction Fabrics And Apparels Limited

Rating migrated to 'CRISIL BB/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.9.35 Crore
Long Term Rating	CRISIL BB/Stable (Migrated from 'CRISIL BB-/Stable ISSUER NOT COOPERATING**')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

*Issuer did not cooperate; based on best-available information

Detailed Rationale

Due to inadequate information and in line with the guidelines of Securities and Exchange Board of India, CRISIL had migrated the ratings on the long-term bank facilities of Junction Fabrics And Apparels Limited (JFA) to 'CRISIL BB-/Stable Issuer Not Cooperating' on May 14, 2018. However, the company's management has now shared information necessary for a comprehensive review of the ratings. Consequently, CRISIL is migrating the ratings from CRISIL BB-/Stable/Issuer not cooperating to '**CRISIL BB/Stable**'.

The revenues of the company improved, as reflected in a 23% growth to Rs 78 crore in fiscal 2018 on the back of higher domestic demand and commencement of own store in Tiruppur, Tamil Nadu. Turnover is likely to increase further over the medium term, supported by increase in customer base and higher sales from store. Though operating margin declined marginally due to lower fixed cost absorption from own store during initial months, it is expected to improve with growing volume. Subsequently, cash accrual will increase over the medium term.

Financial risk profile remained moderate with gearing of about 2.45 times as on March 31, 2018, while interest coverage ratio was healthy at 2.62 times for fiscal 2018. Higher accrual against modest debt obligation will continue to support liquidity.

The rating reflects the extensive experience of JFA's promoters in the domestic ready-made garments industry and moderate financial risk profile. These strengths are partially offset by small scale of operations in an intensely competitive industry and working capital-intensive operations.

Key Rating Drivers & Detailed Description

Strengths

* **Promoters' extensive experience:** Industry presence of over a decade in the ready-made garments segment has enabled the promoters to establish healthy relationship with customers, who are primarily wholesalers and retailers.

* **Moderate financial risk profile:** Gearing remained moderate at 2.45 times as on March 31, 2018, and interest coverage was comfortable at 2.58 times for fiscal 2018.

Weakness

* **Small scale of operations:** Revenue was modest at Rs 78.7 crore in fiscal 2018, due to lower capacities in the highly fragmented textile industry. Scale is likely to remain subdued over the medium term.

* **Working capital-intensive operations:** Gross current assets remained high at 131 days as on March 31, 2018, on account of high inventory outstanding.

Outlook: Stable

CRISIL believes JFA will continue to benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' if higher cash accrual due to increase in revenue and profitability leads to a better financial risk profile. The outlook may be revised to 'Negative' if revenue or profitability declines, or if larger-than-expected debt-funded capital expenditure weakens financial risk profile.

About the Company

Incorporated in 2011 and promoted by Mr Prem Dhinanath Aggarwal and family, Tiruppur-based JFA manufactures T-shirts under the Hylex and Monk brands.

The company is listed on Bombay Stock Exchange's SME platform.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs Cr	78.7	63.1
Profit After Tax (PAT)	Rs Cr	0.83	0.56
PAT Margin	%	1.0	0.9
Adjusted debt/adjusted networth	Times	2.45	2.41
Interest coverage	Times	2.58	2.02

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	9.31	CRISIL BB/Stable
NA	Long Term Bank Facility	NA	NA	Sep-18	0.04	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	9.35	CRISIL BB/Stable	14-05-18	CRISIL BB-/Stable (Issuer Not Cooperating)*	31-03-17	CRISIL BB-/Stable		--		--	--

All amounts are in Rs.Cr.

*Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	9.31	CRISIL BB/Stable	Cash Credit	9.31	CRISIL BB-/Stable/Issuer Not Cooperating
Long Term Bank Facility	.04	CRISIL BB/Stable	Long Term Bank Facility	.04	CRISIL BB-/Stable/Issuer Not Cooperating
Total	9.35	--	Total	9.35	--

Links to related criteria

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Framework for Assessing Information Adequacy Risk](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Cotton Textile Industry](#)

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