

June 17, 2015

| Facility | Amount (Rs. Crore) | Rating |
|-------------------------------|-----------------------|------------------------------------|
| Cash Credit | 8.00 | SMERA B+/ Stable (Assigned) |
| Cash Credit (Proposed) | 1.90 | SMERA B+/ Stable (Assigned) |
| Term Loan | 0.07 | SMERA B+/Stable (Assigned) |

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) to Rs.9.97 crores bank facilities of Jagat Agro (JA). The outlook is '**Stable**'. The rating draws comfort from the firm's experienced management, modest scale of operations with sustained improvement in revenues and efficient working capital management. However, the rating is constrained by below average financial risk profile and low profitability. The ratings factors in the firm's exposure to intense competition in the rice processing industry and agro climatic risks.

Jagat Agro (JA), established in 2002, is an Ahmedabad based company engaged in processing of rice. JA majorly procures paddy rice from across India and sells to traders and exporters. Recently, JA has also ventured into direct exports and mainly exports to Turkey, Dubai, Sri Lanka and Sudan.

JA benefits from its experienced management and established track record of operations. Mr. Chetan Maheshwari, proprietor, has an experience of more than a decade in the rice milling industry. JA has modest scale of operation with revenue Rs.57.26 crore in FY2013-14 (refers to financial year, April 01 to March 31). Further, with diversification into export market, revenues are likely to register higher growth. The firm's efficient working capital management is reflected in comfortable working capital cycle of 49 days in FY2013-14.

JA has below average financial risk profile marked by high gearing at 2.90 times and moderate coverage indicators at 1.48 times in FY 2013-14. Further, the firm is operating at low net profit margins of 0.44% in FY2013-14 due to low value additive rice processing business. JA is also exposed to agro climatic risks as paddy, which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season.

Outlook: Stable

SMERA believes that Outlook for JA will remain Stable over medium term on the back of experienced promoters. The outlook may be revised to Positive if the company achieves more than expected profit margins while improving its capital structure and coverage indicators. Conversely, the outlook may be revised to Negative in case of lower than expected revenues and profitability or deterioration in capital structure.

About the firm

Jagat Agro (JA), established in 2002, is an Ahmedabad based company engaged in processing of rice. The firm has an installed capacity of around 100 metric tonnes per day.

For FY2013-14, the firm reported PAT of Rs.0.25 crores on operating income of Rs.57.26 crores as compared with PAT of Rs.0.21 crores on operating income of Rs.50.42 crores for FY2012-13. The firm's net worth stands at Rs.2.36 crores as on March 31, 2014 as compared with Rs.1.91 crores a year earlier.

Contact List:

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