

### Jai Hanuman Agro Industries: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	8.00	SMERA B+/Stable (Assigned)
Proposed	1.00	SMERA B+/Stable (Assigned)
Bank Guarantee	0.50	SMERA A4 (Assigned)

SMERA has assigned long-term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the above mentioned bank facilities of Jai Hanuman Agro Industries (JHAI). The outlook is **'Stable'**.

The ratings are constrained by the moderate scale of operations and highly competitive nature of the rice milling industry. However, the ratings draw support from the experienced partners and moderate financial risk profile.

JHAI is engaged in the milling of paddy and processing of rice. The scale of operations is moderate marked by revenue of Rs.28.80 crore in FY2015-16 as compared to Rs.39.10 in FY2014-15. SMERA also notes that the rice milling industry is highly competitive with low entry barriers resulting in intense competition from organised as well as unorganised players.

However, the ratings are supported by the extensive experience of the promoters. The partners, Mr. D. Shivkumar, Mr. D. Purushottam and others possess experience of over two decades in the industry. JHAI's moderate financial risk profile is marked by operating profit margin of 6.80 per cent in FY2015-16 as against 3.71 per cent a year earlier. The net profit margin stood at 3.69 per cent in FY2015-16 against 2.22 per cent in FY2014-15 with moderate ROCE of 18.23 per cent in FY2015-16 as against 15.62 per cent in FY2014-15. The Interest coverage ratio stood at 2.80 in FY2015-16 as compared to 3.50 times a year earlier. SMERA also notes that JHAI does not have any long term debt obligations as on March 31, 2016.

#### Rating Sensitivity Factors

- Improvement in revenue
- Maintaining profitability profile

#### Outlook-Stable

SMERA believes that JHAI will maintain a stable outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining operating profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations, or if the financial risk profile deteriorates. This could be due to higher-than-expected increase in debt-funded capex or working capital requirements.

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

## About the Firm

JHAI was established in 2006 as a partnership firm by Mr. D. Shivkumar, Mr. D. Purushottam, Mrs. Pooja and Mrs. Sowmya. The firm is engaged in the milling of paddy and processing of rice at Mandya, Karnataka. The installed capacity is 50 metric tonnes per day. The day-to-day activities are managed by Mr. Shivkumar and Mr. Purushottam. JHAI procures raw material - paddy from Tamil Nadu. The products are sold under the 'Baby Jai Hanuman' name in Kerala.

For FY2015-16, the firm reported PAT (profit after tax) of Rs.1.04 crore on operating income of Rs.28.30 crore, as compared with PAT of Rs.0.87 crore on operating income of Rs.39.10 crore in FY2014-15. The net worth stood at Rs.2.00 crore as on March 31, 2016 against Rs.1.10 crore a year earlier.

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## ABOUT SMERA

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