

Press Release

Jai Hanuman Agro Industries

26 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	SMERA B+/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the 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 Rs.9.50 crore bank facilities of Jai Hanuman Agro Industries (JHI). The outlook is '**Stable**'.

Jai Hanuman Agro Industries (JHAI), a partnership firm was established in 2006 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, Orrisa and Karnataka. The products are sold under the 'Baby Jai Hanuman' name in Kerala.

Key rating drivers

Strengths

Experienced management: The partners, Mr. D. Shivkumar and Mr. D. Purushottam collectively possess more than two decades of experience in the rice milling business.

Proximity to raw material source: JHAI has a manufacturing unit at Mandya, Karnataka with installed capacity of 50 metric tonnes of paddy per day. Mandya is a major rice producing region and enables easy access to raw material - i.e. paddy.

Weaknesses

Average financial risk profile: The financial risk profile of the firm is average marked by low networth of Rs.2.29 crore as on 31 March, 2017 as against Rs.2.00 crore in the previous year. The gearing stood at 4.88 times as on 31 March, 2017 as against 3.94 times in the previous year. This is mainly due to addition of new term loan. The total debt of Rs. 11.18 crore includes term loans of Rs. 2.48 crore, interest bearing unsecured loans of Rs. 0.79 crore and working capital funds of Rs. 7.91 crore. The Interest Coverage Ratio stood at 2.11 times for FY2017 as against 2.80 times in FY2016. The Net cash accruals/Total Debt (NCA/TD) stood at 0.09 times in FY2017 as against 0.16 times in FY2016. Going forward, SMERA expects the firm to maintain its financial risk profile in the absence of major debt funded capex.

Working capital intensive operations: The operations are working capital intensive evident from the high Gross Current Asset days of 133 for FY2017 as against 114 days in FY2016. The procurement of raw material (paddy) is seasonal i.e. during the month of November, December, January and March leading to high inventory days which stood at 82 for FY2017 and 50 for FY2016. Further, the average cash credit limit utilisation has been full during the last six months ended 31 January, 2018.

Agro climatic risks: Paddy, the main raw material required for rice milling is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Competitive and fragmented nature of rice milling business: Rice milling is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Jai Hanuman Agro Industries to arrive at the rating.

Outlook - Stable

SMERA believes that the outlook for JHAI will remain stable over the medium term on account of the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' if the firm achieves higher than expected revenue and net cash accruals while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity profile or financial risk profile due to larger than expected debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	36.15	28.30	39.10
EBITDA	Rs. Cr.	1.98	1.92	1.45
PAT	Rs. Cr.	0.88	1.04	0.87
EBITDA Margin	(%)	5.47	6.80	3.71
PAT Margin	(%)	2.42	3.69	2.22
ROCE	(%)	15.57	18.23	15.62
Total Debt/Tangible Net Worth	Times	4.88	3.94	7.29
PBDIT/Interest	Times	2.11	2.80	3.50
Total Debt/PBDIT	Times	5.62	4.08	5.41
Gross Current Assets (Days)	Days	133	114	97

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
17-Jan, 2018	Cash Credit	Long Term	8.00	SMERA B+/Stable (Issuer not co-operating)
	Proposed Bank Facility	Long Term	1.00	SMERA B+/Stable (Issuer not co-operating)
	Bank Guarantee	Short Term	0.50	SMERA A4 (Issuer not co-operating)
12-Dec, 2016	Cash Credit	Long Term	8.00	SMERA B+/Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	SMERA B+/Stable (Assigned)
	Bank Guarantee	Short Term	0.50	SMERA A4 (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA B+/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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