

Press Release

J. G. Rice Mill (JGRM)

30 January, 2017

Rating Assigned

Total Instruments Rated*	Rs.9.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

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 facility of J. G. Rice Mill (JGRM). The outlook is '**Stable**'.

JGRM, established in 2003 by Mr. Suresh Agrawal, is a Chhattisgarh-based firm engaged in the processing of rice.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced promoters: Established in 2003, JGRM is a proprietorship firm engaged in the processing of rice (parboiled and raw non-basmati). The proprietor, Mr. Suresh Agarwal possesses more than a decades experience in the rice processing industry.

Healthy operating margins: The operating margin improved to 6.02 per cent in FY2015-16 compared to 4.01 per cent in FY2014-15 on account of decline in raw material prices.

Proximity to raw material sources: The manufacturing facilities are located at Raipur, Chhattisgarh which offers proximity to paddy and rice growing areas.

Weaknesses:

Small scale of operations: JGRM operates on a modest scale with operating income of Rs.14.95 crore in FY2015-16 as against Rs.13.57 crore in FY2014-15. The firm achieved revenue of ~Rs.13.50 crore from April 2016 to December 2016.

Average financial risk profile: The financial risk profile is average marked by low net worth of Rs.2.27 crore and gearing (debt-equity ratio) of 2.57 times as on 31 March, 2016. The firm's ICR (interest coverage ratio) stood at 1.86 times in FY2015-16.

Intense competition and agro climatic risk: The firm is exposed to intense market competition and agro climatic risks.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

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

Outlook: Stable

SMERA believes that the outlook for JGRM will remain 'Stable' over the medium term owing to its experienced promoters. The outlook may be revised to 'Positive' if the firm achieves improvement in revenues, profit margins, capital structure maintaining its coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or deterioration in its capital structure.

About the Rated Entity

JGRM, established in 2003 by Mr. Suresh Agrawal, is a Chhattisgarh-based firm engaged in the processing of rice. The installed capacity stands at 4 tonnes per hour (TPH) for milling and 6 tph for sorting.

For FY2015-16, JGRM reported profit after tax (PAT) of Rs.0.19 crore on operating income of Rs.14.95 crore as compared to PAT of Rs.0.17 crore on operating income of 13.57 crore in the previous year. The net worth stood at Rs.2.27 crore as on 31 March, 2016 against Rs.2.10 crore a year earlier.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	1.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	1.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Proposed Facility	ST	2.00	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	NA	NA	NA	5.00	SMERA B+/Stable (Assigned)
Term Loan	April 2016	NA	February 2023	1.00	SMERA B+/Stable (Assigned)
Bank Guarantee	NA	NA	NA	1.00	SMERA A4 (Assigned)
Proposed Facility	NA	NA	NA	2.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument: <https://www.smerra.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Rating Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smerra.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smerra.in
Mr. Sudarson Swami, Rating Analyst Tel: 022-67141111 Email: sudarson.swami@smerra.in	

ABOUT SMERA

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