

Press Release

Jai Bharat Rice Mills (JBRM)

May 18, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.18.75 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.18.75 crore bank facilities of Jai Bharat Rice Mills (JBRM). The outlook is '**Stable**'.

Jai Bharat Rice Mills (JBRM) was established in 2001 as a proprietorship firm by Mr. Ganesh Dass Garg. Subsequently in 2005, the constitution was changed to a partnership concern with the induction of Mr. Assem Garg as a partner. The firm is engaged in the milling and processing of basmati rice with an installed capacity of 6 metric ton per hour at Taraori (Karnal), Haryana.

List of key rating drivers and their detailed description:

Strengths:

Experienced management & Long track of operation: The promoter, Mr. Ganesh Dass Garg has a long track record of 16 years in the rice industry. This experience has helped him in developing good relations with its suppliers and customers.

Moderate financial risk profile: The moderate financial risk profile of the firm is marked by moderate networth of Rs.7.93 crore as on March 31, 2016 supported by unsecured loan of Rs.2.82 crore treated as quasi equity in FY2016. SMERA has treated the unsecured loans as quasi equity as the amount is subordinated to the bank loan facilities availed by the firm. The interest coverage of the firm stands at 1.22 times in FY2016 as against 1.23 times in the previous year. Further, the gearing of the firm stands moderate at 2.27 times in the FY 2016. The moderate gearing is on account of moderate Net worth of Rs.7.93 crore as against the total debt of Rs.17.97 crore in FY2015-16. The total debt includes working capital facility of Rs. 17.40 cr and a term loan of Rs. 0.57 cr.

SMERA expects the firm to continue its moderate risk profile in the medium term. Further the firm's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

Weaknesses:

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

Intense competition: The firm operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical approach: SMERA has considered the standalone business and financial risk profile 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 firm will maintain its stable business risk profile on the back of the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' if the firm achieves higher than the projected growth in revenues and profitability or improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity – Key Financials

For FY2015-16, JBRM reported PAT of Rs.0.22 crores on operating income of Rs.66.59 crores as compared with PAT of Rs.0.20 crores on operating income of Rs.61.47 crores for FY2014-15. The firm's net worth stands at Rs.7.93 crores as on March 31, 2016 as compared with Rs.27.30 crores a year earlier. The net worth of Rs.7.93 crore in FY16 includes quasi equity of Rs.2.82 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	18.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	0.25	SMERA BB-/Stable (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	N.A	N.A	N.A	18.50	SMERA BB-/Stable (Assigned)
Term Loan	N.A	N.A	N.A	0.25	SMERA BB-/Stable (Assigned)

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

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