

Press Release

Jai Bharat Rice Mills (JBRM)

5 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.25.00 Crore (Enhanced from Rs. 18.75 Crore)
Long Term Rating	SMERA BB-/Stable (Reaffirmed and assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

SMERA has reaffirmed the long-term rating of '**SMERA BB-** (read as SMERA double B Minus) on the Rs. 18.75 crore facilities and assigned long-term rating of '**SMERA BB-** (read as SMERA double B Minus) and short-term rating of '**SMERA A4+** (read as SMERA A four plus) on the Rs.6.25 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 and converted to a partnership firm on April 01, 2005 with Mr. Assem Garg as the Partner. The firm is engaged in the milling and processing of basmati rice and has an installed capacity of 6 metric tons of rice per hour. The firm procures raw material i.e. paddy from the local market and sells rice to exporters in Haryana.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management, long track record of operations

JBRM, established in 2001 has long track record of operations of 17 years in the rice industry. Mr. Ganesh Dass Garg and Mr. Assem Garg, Partners have experience of around two decades in the rice milling business. The extensive experience has helped develop long term relations with customers.

Proximity to rice growing areas

The manufacturing facility of JBRM is located at Karnal (Haryana), which offers proximity to raw materials since the region has ample production of rice. A number of rice mundi's are located in Haryana. The firm procures raw material (paddy) from the local mandis of Haryana as well as Uttar Pradesh.

Improved revenue

JBRM registered revenue of Rs. 69.41 crore in FY2017 and Rs. 66.59 crore in FY2016. Further in FY2018 (Provisional) the firm registered revenue of Rs.62.00 crore from April to December, 2017. The firm has orders in hand of around Rs.15 crore as on date. The revenues of JBRM have grown at a CAGR of 10 percent from FY2014 to FY2017.

Moderate financial risk profile

The moderate financial risk profile is marked by moderate net worth of Rs.6.69 crore as on 31 March, 2017 supported by unsecured loan of Rs.1.30 crore treated as quasi equity in FY2017. The Interest Coverage of the firm stood at 1.23 times in FY2017 as against 1.22 times in the previous year. Further, the gearing of

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the firm stood high at 3.46 times in FY2017 compared to 3.04 times in FY2016. The gearing deteriorated on account of enhancement in cash credit limits and a new demand loan. The total debt as on FY2017 includes working capital facility of Rs.22.82 crore and a term loan of Rs.0.30 crore

Weaknesses

Risk related to economic conditions of the export countries

The firm is engaged in the processing and milling of rice and exports the same to the Middle East (25%) thereby exposing itself to risks related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact the order flow of the firm.

Competitive and fragmented nature of rice milling business:

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Jai Bharat Rice Mills to arrive at the rating.

Outlook – Stable

SMERA believes that the firm will maintain a Stable outlook and on the back of the management's extensive experience in the rice milling business and long track record of operations. The outlook may be revised to 'Positive' in case of sustained increase in revenues and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	69.41	66.59	61.47
EBITDA	Rs. Cr.	2.74	2.90	2.98
PAT	Rs. Cr.	0.24	0.22	0.20
EBITDA Margin	(%)	3.94	4.35	4.85
PAT Margin	(%)	0.34	0.33	0.33
ROCE	(%)	8.87	10.41	11.53
Total Debt/Tangible Net Worth	Times	3.46	3.04	2.89
PBDIT/Interest	Times	1.23	1.22	1.23
Total Debt/PBDIT	Times	8.45	6.72	6.00

Gross Current Assets (Days)	Days	184	149	151
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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
18 May, 2017	Cash Credit	Long Term	18.50	SMERA BB-/Stable (Assigned)
	Term Loan	Long Term	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	Not Applicable	Not Applicable	Not Applicable	18.50	SMERA BB-/Stable (Reaffirmation)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA BB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA BB-/Stable (Reaffirmation)
Warehouse Receipt	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+ (Assigned)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Disha N. Parmar, Rating Analyst, Tel: +91-22-6714 1120 Email: disha.parmar@smera.in	

ABOUT SMERA

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