

Press Release

Jdc India Limited

June 24, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 10.00 crore bank facilities of Jdc India Limited. The outlook is '**Stable**'.

Incorporated in 1995, JDC India Limited (JIL) is engaged in the milling of parboiled rice and has an installed capacity of 50 tons per day. Promoted by Mr Basu and family, the company is led by Mr. Aloke Basu, Mr. Ajay Basu and Mr. Ashim Basu. The company also provides cold storage facility for potato traders and exports electrical goods to Doha. The cold storage facility has an installed capacity of 1,40,000 quintals (for potato).

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters possess experience of over two decades in the said line of business.

- **Proximity to raw materials**

The manufacturing facility is located at Burdwan district, West Bengal, one of the top rice producing districts in India. The major raw material (paddy) is procured directly from local farmers. The company benefits from the close proximity to raw material source.

Weaknesses

- **Decline in sales and profitability**

The rating is constrained by the continuous decline in sales and profitability during the period under review (FY2014-FY2016). The revenue declined to Rs 11.43 crore in FY2016 from Rs 15.21 crore in FY2014. This is mainly on account of lower realisation and closure of the rice milling unit for almost a quarter in each financial year owing to unavailability of labour. The profitability of JIL deteriorated over the years and the company incurred EBITDA level losses of Rs 0.15 crore in FY2016 as compared to EBITDA level profit of Rs 1.32 crore in FY2014. The rise in operating level losses is due to high labour cost and increase in paddy prices.

- **Weak financial risk profile**

The weak financial profile has resulted in weaker debt protection metrics as envisaged from the low interest coverage ratio of 0.25 times for FY2016 as compared to 0.71 times in FY2015. The promoters have been infusing funds in the form of unsecured loan to fund on-going losses, thereby supporting its debt- equity level (gearing) at 0.52 times in FY2016 as compared to 0.46 times in FY2015. SMERA has considered interest free unsecured loan of Rs 10.76 crore (subordinated to bank debt) from promoters as quasi equity based on the undertaking received from the management confirming the

maintenance of the said amount in the company over the medium term. The net worth base stood at a moderate level of Rs 13.48 crore in FY2016 as compared to Rs 15.45 crore in FY2015.

• Agro climatic risks

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

• Competitive and fragmented nature of the 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.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that JIL will maintain a stable outlook over the medium term owing to its experienced management and strong resource mobilisation ability. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving profitability and improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenue, profitability or registers deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016, JIL reported net loss of Rs.1.98 crore on total operating income of Rs.11.43 crore compared to net loss of Rs 1.99 crore on total operating income of Rs.16.90 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

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>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.10	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2018	0.35	SMERA B / Stable

Proposed	Not Applicable	Not Applicable	Not Applicable	2.05	SMERA B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

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