Press Release

Jai Hanuman Rice And Gen Mill

July 13, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' **(read as SMERA BB minus)** on the Rs. 13.00 crore bank facilities of Jai Hanuman Rice And Gen Mill. The outlook is **'Stable'**.

Jai Hanuman Rice and General Mills (Jai Hanuman Rice), a partnership firm, was established by Mr Surinder Kumar and Mr Hari Krishan. The firm is a manufacturer, supplier and exporter of basmati and non-basmati rice. The Haryana-based firm procures paddy from suppliers across India and sells its finished products to clients in Delhi, Haryana, Punjab and Gujarat. The firm also exports to UAE, Iran, Iraq USA among others and has a milling capacity of 15000 rice bags a day.

Key Rating Drivers

Strengths

• **Experienced promoters and second line of management**
The firm was established in 2008 by partners, Mr. Surinder Kumar and Mr. Hari Krishan who possess experience of over a decade in the rice industry. The extensive experience has helped develop long term relations with customers.

• **Proximity to raw material sources**
The firm procures raw material from Uttar Pradesh, Punjab, Haryana and other states and sells its products in Delhi, Madhya Pradesh, Haryana, Uttar Pradesh.

• **Steady revenue growth**
The operating income has shown steady growth with revenue of Rs.61.19 crore in FY2016 from Rs.21.69 crore in FY2014 thereby registering a cumulative annual growth rate (CAGR) of 67.96 per cent during the two year period. Also, the firm achieved revenue of~Rs.128.00 crore in FY2017 (Provisional). The steady growth in revenue is on account of increase in customer base and double the manufacturing capacity by adding two new units.

Weaknesses

• **Modest financial risk profile**
The financial profile is marked by high gearing, low networth base and modest debt protection metrics. The gearing stood at 7.94 times in FY2015-16 against 4.79 times in FY2014-15. The networth stood low at Rs.3.00 crore in FY2015-16 against Rs.2.36 crore in FY2014-15. The interest coverage declined to 2.10 times in FY2015-16 against 2.36 times in FY2014-15. The net cash accrual (NCA)/total debt (TD) stood at a low of 0.09 times in FY2015-16 against 0.19 times in FY2014-15.

• **Working capital intensive business**
The operations are working capital intensive marked by high gross current asset (GCA) days of 148 in FY2015-16 as against 79 in the preceding year. The elongation in the working capital in FY2016 has been mainly due to high inventory that increased to 109 days from 43 days in the previous year.

The inventory levels increased manifold in FY2015-16 mainly due to year-end purchases of paddy in March 2016 which were traded in the first quarter of FY2016-17.

- **Agro climatic risks**

Paddy, the main raw material required for rice 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.

- **Intense market competition**

The firm faces intense competition from various rice players in India and overseas which is likely to have an impact on its operating performance and profitability.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profiles of Jai Hanuman Rice.

Outlook: Stable

SMERA believes that the firm will have a stable outlook in the medium term owing to its experienced promoters. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue while improving its profit margins, capital structure and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or further elongation in working capital cycle.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.49 crore on operating income of Rs.61.19 crore compared with PAT of Rs.0.36 crore on operating income of Rs.40.42 crore in FY2014-15. The net worth stood at Rs.3.00 crore as on 31 March, 2016 against Rs.2.36 crore in the previous year.

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	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable

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