



Press Release

Shree Jee Jee Grain Products Private Limited

August 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.80 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 9.80 crore bank facilities of Shree Jee Jee Grain Products Private Limited. The outlook is '**Stable**'.

Shree Jee Jee Grain Products Private Limited (erstwhile Shree Jee Jee Agro Food) established in 2004 as a partnership firm was changed to a private limited company in 2012. The company was promoted by Mr. Robin Garg, Mr. Naresh Garg, Mrs. Chanchal Garg and Mr. Ashish Jain who possess overall experience of over a decade in the agriculture industry. The company is engaged in the milling and processing of wheat and rice flour and has an installed capacity of 200 tons per day. The company procures raw material from suppliers of Haryana and Food Corporation of India (FCI) and sells its product in northern India.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr. Robin Garg, Mr. Naresh Garg, Mrs. Chanchal Garg and Mr. Ashish Jain possess extensive experience in the industry.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by networth of Rs.2.61 crore as on 31 March, 2017 compared to Rs.2.50 crore in the previous year. The net worth includes unsecured loans of Rs.1.94 crore in FY2017 compared to Rs.2.06 crore in FY2016 from promoters and are subordinated to bank debt. SMERA has treated them as quasi equity. Further, the gearing stands comfortable at 0.79 times as on 31 March, 2017 as against 0.85 times in the previous year. The moderate gearing is on account of net worth of Rs.2.61 crore as against the total debt of Rs.2.07 crore in FY2016-17. The total debt includes working capital facility of Rs.1.82 crore and a term loan of Rs. 0.25 crore. The interest coverage of the company stands at 1.75 times in FY2017 as against 1.66 times in the previous year. The debt to service coverage ratio (DSCR) stands at 1.36 times in FY2017 compared to 1.32 times in FY2016. The net cash accrual to total debt (NCA/TD) stood at 0.15 times in FY2017 and 0.14 times in FY2016. SMERA expects the company to continue its moderate risk profile in the medium term. Further, the company's ability to improve its net worth along with its debt protection metrics will remain key credit monitorables.

Weaknesses

- **Modest operating income resulting in low profitability margins**

The operating income stood modest at Rs.47.16 crore in FY2017 compared to 41.71 crore in FY2016. The profitability margins stand low at 0.08 percent in FY2017 compared to 0.03 percent in FY2016.

- **Intense competition**

The company operates in a highly fragmented industry with limited entry barriers wherein the

presence of a large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook in the medium term owing to the extensive experience of its management in the agriculture industry. The outlook may be revised to 'Positive' if the company achieves higher than projected growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in its financial risk profile in case it undertakes debt-funded capital expenditure.

About the Rated Entity - Key Financials

For FY2016-17, the company reported profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.47.16 crore, as compared with PAT of Rs.0.01 crore on operating income of Rs.41.71 crore in FY2015-16. The net worth stood at Rs.2.61crore (included quasi equity of Rs.1.94 crore) as on 31 March, 2017 against Rs.2.50 crore (included quasi equity of Rs.2.06 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	3.25	SMERA B+ / Stable
Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	3.80	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.75	SMERA B+ / Stable

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ABOUT SMERA

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