

## Press Release

### JAY BHARAT PULSE MILLS

December 06, 2017

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 5.57 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 5.57 crore bank facilities of JAY BHARAT PULSE MILLS. The outlook is '**Stable**'.

Jay Bharat Pulse Mills (JBPM) established in 1982 is a Gujarat-based partnership firm promoted by Mr. Haji Abdul Hamid, Mr. Haji Zakeer Hussen and others. The firm is engaged in the processing and trading of pulses and has its manufacturing facility at Himatnagar with capacity of 500 quintals per day.

#### Key Rating Drivers

##### Strengths

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

JBPM commenced operations in 1985. The firm was promoted by Partners, Mr. Haji Abdul Hamid, Mr. Haji Zakeer Hussen, Mr. Mohammed Sadiq, Mr. Muzafar Hussen among others with experience of more than three decades in the food processing industry.

- **Modest scale of operations**

The scale of operations is modest with operating income of Rs.115.57 crore in FY2017 as against Rs. 116.76 crore in FY2016 and Rs. 69.88 crore in FY2015 due to addition of new customers and increasing demand from existing customers.

- **Comfortable working capital cycle**

The firm has comfortable working capital cycle marked by gross current assets (GCA) of 35 days in FY2017 as against 36 days in FY2016. This is on account of inventory holding of 29 days in FY2017 as against 26 days in FY2016 and debtors of 6 days in FY2017 as against 10 days in FY2016. The cash credit facility has been fully utilised for the six months ended 31 October, 2017

##### Weaknesses

- **Volatility in raw material prices, government regulations**

The prices of pulses are highly regulated by the government through MSP (Minimum Support Price). However, the purchase and selling prices depend on the prevailing demand-supply situation that restricts bargaining power with suppliers and customers. Adverse movement of food grain prices further impacts profitability. Moreover, the firm is also exposed to unfavourable changes in government regulations.

- **Thin profitability**

The operating margins (EBIDTA) marginally improved to 1.40 per cent in FY2017 from 1.19 per cent in FY2016. The Profit after tax margins (PAT) improved to 0.61 per cent in FY2017 from 0.39 per cent in FY2016. The firm was able to take advantage of fluctuation in prices of pulses resulting in improvement in the operating margins. The profitability is expected to remain low due to the low additive nature of business.

- **Average financial riskprofile**

The financial risk profile is moderate marked by low net worth of Rs. 4.32 crore as on 31 March, 2017 as against Rs.3.29 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) improved to 1.59 times as on 31 March, 2017 compared to 2.03 times in the previous year. This is mainly due to accretion of profits resulting in increased networth. The total debt of Rs. 6.85 crore, consists of working capital borrowings of Rs. 4.88 crore and unsecured loans from promoters of Rs. 1.97 crore as on 31 March, 2017. The interest coverage ratio (ICR) improved to 2.72 times in FY2017 as against 2.10 times in FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.12 times compared to 0.08 times in FY2016.

- **Customer concentration risk**

JBPM is exposed to client concentration risk as ~85 percent of the total operating income is generated from two major customers - Lijjat Papad and DMart.

- **Agro climatic risks**

The firm is exposed to agro climatic risks since the availability of key raw materials are highly dependent upon the monsoon.

### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of JBPM to arrive at the rating.

### Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term on the back of the management's extensive experience in the food processing industry. The outlook may be revised to 'Positive' if the firm achieves significant and sustainable growth in revenue and profitability thereby improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue or profitability resulting in deterioration of its financial risk profile or elongation of working capital cycle.

### About the Rated Entity - Key Financials

In FY2016-17, the firm reported profit after tax (PAT) of Rs.0.70 crore on operating income of Rs.115.57 crore as against net profit of Rs.0.45 crore on operating income of Rs.116.76 crore in the previous year. The tangible net worth stood at Rs. 4.32 crore as on 31 March, 2017 as against Rs. 3.29 crore a year earlier.

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>

### Note on complexity levels of the rated instrument

<https://www.smerra.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	4.90	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.15	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.52	SMERA A4+

## Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Leena Gupta Analyst - Rating Operations Tel: 022-67141172 <a href="mailto:leena.gupta@smera.in">leena.gupta@smera.in</a>	.

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.