

Press Release

Jay Bharat Pulse Mills

January 17, 2019



Rating Downgraded, Assigned & Withdrawn

Total Bank Facilities Rated*	Rs. 5.57 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Downgraded from ACUITEBB-/Stable)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 5.05 crore bank facilities of Jay Bharat Pulse Mills (JBPM). The outlook is '**Stable**'.

Also, Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 0.52 crore bank facilities of JBPM. The outlook is '**Stable**'.

Further, Acuité has withdrawn short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 0.59 crore bank facilities of JBPM.

Rating downgrade reflects deteriorating business risk profile and more-than-expected decline in scale of operations and profitability. Revenues have been declined from Rs.115.57 crores in FY2017 to Rs.70.16 crores in FY2018, though the same is partly mitigated by marginal improvement in operating margins; further, the profit after tax (PAT) has also declined sharply to Rs.0.35 crore in FY2018 from Rs.0.70 crore in FY2017. Declining revenues and profitability have caused in high bank limit utilisation. However, the ratings are supported by experienced management, and moderate financial risk profile of the company.

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.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of JBPM to arrive at the rating.

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 and Mr. Muzafar Hussen among others who possess experience of more than three decades in the food processing industry.

- **Comfortable working capital cycle**

The firm has comfortable working capital cycle marked by Gross Current Assets (GCA) of 60 days in FY2018 as against 35 days in FY2017. This is on account of inventory holding of 46 days in FY2018 as against 29 days in FY2017 and debtors of 14 days in FY2018 as against 6 days in FY2017. The cash credit facility has been utilised at around 90 per cent on an average for the six months ended 31 December, 2018.

Weaknesses

• Decline in scale of operations

The scale of operations is modest with decline in operating income to Rs.70.16 crore in FY2018 from Rs.115.57 crore in FY2017. This is majorly due to fluctuation in price of goods. However, operating margins stood at 1.87 per cent for FY2018 as against 1.40 per cent for FY2017.

• Average financial risk profile

The financial risk profile is average marked by low net worth of Rs. 5.02 crore as on 31 March, 2018 as against Rs. 4.32 crore as on 31 March, 2017. The gearing (debt-to-equity ratio) improved to 1.32 times as on 31 March, 2018 from 1.59 times in the previous year. The total debt of Rs. 6.63 crore consists of working capital borrowings of Rs. 4.68 crore and unsecured loans from promoters of Rs. 1.95 crore as on 31 March, 2018. The interest coverage ratio (ICR) improved to 2.05 times in FY2018 as against 2.72 times in FY2017. In FY2018, the net cash accruals to total debt (NCA/TD) stood at 0.08 times compared to 0.12 times in FY2017.

• Volatility in raw material prices and 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 unfavorable changes in government regulations.

• 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 D-Mart.

• Agro climatic risks

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

Outlook: Stable

Acuite believes that JBPM 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	70.16	115.57	116.76
EBITDA	Rs. Cr.	1.32	1.61	1.39
PAT	Rs. Cr.	0.35	0.70	0.45
EBITDA Margin	(%)	1.87	1.40	1.19
PAT Margin	(%)	0.50	0.61	0.39
ROCE	(%)	10.43	14.69	27.17
Total Debt/Tangible Net Worth	Times	1.32	1.59	2.03
PBDIT/Interest	Times	2.05	2.72	2.10
Total Debt/PBDIT	Times	4.75	4.11	4.61
Gross Current Assets (Days)	Days	60	35	36

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

Not Applicable

Any other information

"Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Dec-2017	Cash Credit	Long Term	4.90	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.15	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	0.52	ACUITE A4+ (Assigned)

*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	ACUITE B+ / Stable (Downgraded from ACUITE BB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE B+ / Stable (Downgraded from ACUITE BB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.39	ACUITE B+ / Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.13	ACUITE B+ / Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.52	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:

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