

Press Release

JAY BHARAT PULSE MILLS

November 06, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.57 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 5.57 crore bank facilities of JAY BHARAT PULSE MILLS (JBPM). 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 installed capacity of 500 quintals per day.

Analytical Approach

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

Key Rating Drivers

Strengths

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

JBPM commenced operations in 1985. The firm is promoted by 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. Acuité believes the firm will benefit from its established position and experienced management.

- **Efficient working capital operations**

The working capital of JBP is efficient in nature marked by low Gross Current Asset (GCA) days of 85 for FY2019 as against 60 in the previous year. Inventory days stood at 70 for FY2019 as against 46 for FY2018. However, the reliance on working capital facility is high, it is fully utilized on an average for last six months ending September, 2019. Going ahead, the ability of the firm to efficiently manage its working capital requirements will remain the key rating sensitivity.

Weaknesses

- **Modest scale of operations and profitability**

The firm has been in food processing industry for over three decades. Despite its presence for over three decades, the firm has been operating in a modest scale of operations marked by operating income of Rs.78.72 crore in FY2019 as against operating income of Rs.70.16 crore in FY2018. The operating margins of the company marginally declined to 1.79 percent in FY2019 from 1.87 percent in FY2018.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by modest net worth and high debt protection measures and high gearing. The net worth of the firm is modest at Rs.6.00 crore as on 31 March 2019 as against Rs.5.02 crore as on 31 March 2018. The gearing (debt to equity) of the firm stood at 1.31 times as on March 31 2019 as against 1.32 times as on March 31 2018. Total debt of Rs.7.89 crore consists of unsecured loans of Rs.2.62 crore and working capital facility of Rs.5.27 crore as on 31 March 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.34 times as on 31 March 2019 as against 1.67 times as on 31 March 2018. Interest Coverage Ratio (ICR) increased to 2.50 times in FY2019 from 2.05 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.08 times as on 31 March 2019 and as on 31 March 2018. Debt Service Coverage Ratio (DSCR) increased to 2.17 times in FY2019 from 1.82 times in FY2018.

- **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

Rating Sensitivity

- Increase in scale of operations in the range of Rs.120.00 to 130.00 crore.
- Deterioration in working capital operations marked by Gross Current Assets (GCA) days in the range of 100 to 125 days.

Material Covenants

None.

Liquidity Position: Stretched

JBPM has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.66 crore in FY2019 as against Rs.0.56 crore in FY2018 and Rs.0.82 crore in FY2017, while the firm had no long term obligation during the same period. The firm's working capital operations are efficient marked by low gross current asset (GCA) days of 85 in FY2019. However, the reliance on working capital borrowings is high, the cash credit limit in the firm remains fully utilized during the last six months period ended September, 2019. The firm maintains unencumbered cash and bank balances of Rs.0.09 crore as on March 31, 2019. The current ratio of the firm stands at 1.60 times as on March 31, 2019.

Outlook: Stable

Acuité 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	78.72	70.16	115.57
EBITDA	Rs. Cr.	1.41	1.32	1.61
PAT	Rs. Cr.	0.42	0.35	0.70
EBITDA Margin	(%)	1.79	1.87	1.40
PAT Margin	(%)	0.53	0.50	0.61
ROCE	(%)	9.20	10.43	14.69
Total Debt/Tangible Net Worth	Times	1.31	1.32	1.59
PBDIT/Interest	Times	2.50	2.05	2.72
Total Debt/PBDIT	Times	5.59	4.75	4.11
Gross Current Assets (Days)	Days	84	60	35

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

Not Applicable

Any other information

Acuité 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/view-rating-criteria-17.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
17-Jan-2019	Cash Credit	Long Term	4.90	ACUITE B+ / Stable (Downgraded from ACUITE BB-/Stable)
	Term Loan	Long Term	0.15	ACUITE B+ / Stable (Downgraded from ACUITE BB-/Stable)
	Term Loan	Long Term	0.39	ACUITE B+ / Stable (Downgraded from ACUITE BB-/Stable)
	Proposed Bank Facility	Long Term	0.13	ACUITE B+ / Stable (Downgraded from ACUITE BB-/Stable)
	Letter of Credit	Short Term	0.52	ACUITE A4+ (Withdrawn)
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 (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.11	ACUITE B+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.31	ACUITE B+ / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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