

Press Release

JAYANTHI AGRO INDUSTRIES

27 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 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 double B) on the Rs. 25.00 crore bank facilities of Jayanthi Agro Industries (JAI). The outlook is 'Stable'.

JAI, was established by Mr. Shyam Stalin and Mrs. Naganandhini in June, 2011. The firm is engaged in the processing of paddy (non basmati rice - Sona Masuri & Idli variety) and has capacity of around 150 tons. The manufacturing facility is located at Tindivanam, Tamil Nadu. The firm procures paddy from local farmers and traders and sells rice under the 'YES' brand to domestic wholesalers.

Key Rating Drivers

Strengths

Established track record of operations, experienced promoters

The firm was established in 2011 and is engaged in processing of non-basmati rice. The firm is led by partners, Mr. Shyam Stalin and Mrs. Naganandhini with more than two decades of experience in the business.

Significant growth in revenues

The revenues of the firm have grown significantly at a CAGR of 23 per cent during the period FY2015 to FY2017 registering Rs. 90.73 crore in FY2017, Rs. 74.23 in FY2016 and Rs. 60.05 crore in FY2015. The firm reported revenue of Rs. 82 crore (Provisional) upto January, 2018.

Reputed clientele

The firm caters to reputed retailers in Tamil Nadu including Reliance Retail Ltd., Max Hyper Market Pvt. Ltd., Adithya Birla Retail Ltd, etc.

Weaknesses

Competitive and fragmented nature of industry

The rice processing industry is highly competitive due to low entry barriers. The PAT margins have been low at 0.59 per cent in FY2017 and 0.61 per cent in FY2016.

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.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of JAI.

Outlook: Stable

SMERA believes that JAI will maintain a stable outlook over the medium term owing to its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers significant increase in revenue while achieving sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower than expected profit margins and higher than expected debt funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	90.73	74.23	60.05
EBITDA	Rs. Cr.	3.62	3.46	3.13
PAT	Rs. Cr.	0.54	0.45	0.34
EBITDA Margin	(%)	3.98	4.66	5.21
PAT Margin	(%)	0.59	0.60	0.57
ROCE	(%)	8.09	8.81	16.14
Total Debt/Tangible Net Worth	Times	2.11	2.40	2.52
PBDIT/Interest	Times	1.72	1.56	1.62
Total Debt/PBDIT	Times	6.21	6.58	6.43
Gross Current Assets (Days)	Days	110	129	138

Status of non-cooperation with previous CRA (if applicable) - Not Applicable

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. Crore)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BB / Stable

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