

Press Release

Jaliyan Proteins Private Limited

June 06, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B/Stable**' (read as **ACUITE B**) on the Rs. 25.00 crore bank facilities of Jaliyan Proteins Private Limited. The outlook is '**Stable**'.

The upgrade is in view of improved business profile on account of starting of commercial operations of the company. The rating also draws comfort from the company's financial risk profile and debt protection metrics. Acuité believes that the company will sustain its existing business profile owing to extensive experience of the promoters.

The Gujarat-based, Jaliyan Proteins Private Limited (JPPL) was incorporated in May, 2016 and commenced operations in September, 2018. The company promoted by Mr. Pravinkumar Thakkar Mr. Dineshkumar Thakkar Mr. Sureshkumar Thakkar Mr. Piyushkumar Udecha and Mr. Pradipkumar Thacker. JPPL produces multipurpose edible oil, such as palm olein oil, cotton seed oil, soya bean oil. The unit has installed capacity of 250 Metric Tonn Per Day.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced Management

The company is promoted by Mr. Pravinkumar Thakkar Mr. Dineshkumar Thakkar Mr. Sureshkumar Thakkar Mr. Piyushkumar Udecha and Mr. Pradipkumar Thacker. The management possesses experience of more than decade in agro commodity industry. Their active presence has helped to acquire and maintain long standing relations with reputed customers.

• Moderate financial risk profile

JPPL has moderate financial risk profile marked by tangible net worth of Rs.13.29 crore as on 31 March, 2019 (Provisional). This includes unsecured loan of Rs.6.97 crore as on 31 March, 2019 (Provisional) which is considered as quasi equity. The adjusted gearing stood at 1.72 times as on 31 March, 2019 (Provisional). The debt of Rs.22.92 crore as on 31 March, 2019 (Provisional), consists of term loans of Rs.13.05 crore and working capital borrowings of Rs.9.87 crore. The debt protection metrics are moderate marked by Interest Coverage Ratio (ICR) of 2.85 times in FY2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.85 times as on 31 March, 2019 (Provisional). Net cash Accruals/Total Debt stands at 0.13 times in FY2019 (Provisional).

Acuité believes that the company to maintain its financial risk profile over medium term in absence of significant debt-funded capital expenditure plan.

• Efficient management of working capital

JPPL is managing its working capital efficiently marked by GCA days of 84 in FY2019 (Provisional). The GCA days are dominated by inventory days, which are 81 in FY2019 (Provisional). The company requires maintaining inventory of raw material and finished product, like Palm olein oil and Soya bean oil due to their seasonal nature. The bank limit utilisation was about 90 per cent over six months ended April, 2019.

Weaknesses

- **Limited operational track record**

There is no track record of operations as the company started commercial operations in September, 2018. Going forward, early ramp up and stabilisation of operations will remain a key rating sensitivity.

- **Agro climatic risks**

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

- **Competitive industry**

The company is exposed to intense competition existent in the agro industry.

Liquidity Position

JPPL has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.91 crore for FY2019 (provisional), while its maturing debt obligations were Rs.1.14 crore over the same period. The cash accruals of JPPL are estimated to remain around Rs.3.00 crore to Rs.5.00 crore during 2020-22 while its repayment obligations are estimated to be around Rs.2.28 Crore. The working capital operations are efficiently managed as marked by gross current asset (GCA) days of 93 in FY 2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.13 crore as on March 31, 2019 (Provisional). The current ratio of the company stands healthy at 1.60 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the JPPL is likely to remain adequate over the medium term on account of healthy cash accrual and repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook of JPPL will remain 'Stable' owing to its experienced management and moderate debt protection metrics. The outlook may be revised to 'Positive' if the company achieves sustained growth in revenue while managing its working capital. Conversely, the outlook maybe revised to 'Negative' in case of deterioration of capital structure or steep decline in revenue or profitability margins.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	79.44	0.00	0.00
EBITDA	Rs. Cr.	4.71	-0.18	0.00
PAT	Rs. Cr.	0.35	-0.18	0.00
EBITDA Margin	(%)	5.93	0.00	0.00
PAT Margin	(%)	0.44	0.00	0.00
ROCE	(%)	7.76	-1.86	0.00
Total Debt/Tangible Net Worth	Times	1.72	1.26	0.00
PBDIT/Interest	Times	2.85	-278.82	0.00
Total Debt/PBDIT	Times	4.86	-60.15	0.00
Gross Current Assets (Days)	Days	93	0	0.00

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
07-May-2018	Cash Credit	Long Term	INR 10	ACUITE B / Stable (Assigned)
	Term Loan	Long Term	INR 14	ACUITE B / Stable (Assigned)
	Proposed Bank Facility	Long Term	INR 1	ACUITE B / Stable (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	10.00	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)
Term loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)

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About Acuité Ratings & Research:

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