

Press Release

Jaganmatha Paraboiled Rice Industry

June 14, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 6.00 crore bank facilities of Jaganmatha Paraboiled Rice Industry. The outlook is '**Stable**'.

Established in 2015, Jaganmatha Paraboiled Rice Industry (JPRI) is a Telangana-based firm established by Mr. Kasam Jagan and partners. The firm is engaged in processing and sale of steamed non-basmati rice and its byproducts - rice bran and broken rice. The firm has installed capacity of 5 tons per hour (TPH) for rice milling and a sortex plant with capacity of 4 TPH at its facility at Suryapet (Telangana).

Key Rating Drivers

Strengths

- **Experienced management**

The firm benefits from its experienced partner, Mr. Kasam Jagan, who possesses more than a decade of experience in the rice milling business. Mr. Kasam Jagan is also a partner in the group entity named Sri Shiva Durga Rice Industries (SSDRI) established in 2007. SSDRI is also engaged in similar line of business.

- **Moderate financial risk profile**

The financial risk profile is marked by moderate gearing, net worth levels and comfortable debt protection metrics. The net worth stood at Rs.4.22 crore as on 31 March, 2018, improved by Rs.0.86 crore from FY2017; it was mainly due to accretion of profit to internal accruals. The gearing (debt-equity) is moderate at 1.85 times in FY2018, improved from 1.58 times in FY2017. Interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 3.37 times and 0.18 times respectively for FY2018. The gearing is expected to remain modest at FY2018 levels, and ICR and NCA/TD are expected to remain at the same level over the medium term due to incremental debt funded working capital requirements.

Weaknesses

- **Intense working capital operations**

JPRI has intense working capital requirement as evident from Gross Current Asset (GCA) days of 153 as on March 31, 2018 as against 167 as on March 31, 2017. The firm's inventory days improved to 71 as on March 31, 2018 as against 75 as on March 31, 2017. The debtor days ranged from 88 to 112 days during FY2015-FY2018. The firm maintains high inventory levels due to seasonal availability of Paddy. Acuité believes that the working capital operations of the company will remain intense as evident from high inventory levels in the business.

- **Susceptibility of margins to volatility in raw material prices**

The major raw material of the firm is paddy. The prices of the same are fluctuating in nature, therefore, the operating profit margins of the firm is susceptible to raw material price fluctuation. The prices of these commodities are highly dependent on agro climatic conditions which are uncertain. Any sudden changes in climatic conditions like inadequate rainfall or draught might affect the availability of agricultural commodities, causing scarcity and pushing commodity prices upwards. Further, any changes in the government policies will have impact on commodity prices. However, the firm is maintaining operating margins at ~8.5 percent over the past two years.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of JPRI.

Outlook: Stable

Acuité believes that the outlook on JPRI will remain 'Stable' over the medium term on account of the experience of the partners in the rice milling industry. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenues while maintaining its profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle due to higher than expected inventory levels or sharp decline in prices.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.04	5.12	-
EBITDA	Rs. Cr.	1.38	1.01	-
PAT	Rs. Cr.	0.09	0.05	-
EBITDA Margin	(%)	8.62	19.76	-
PAT Margin	(%)	0.54	0.98	-
ROCE	(%)	8.60	15.44	-
Total Debt/Tangible Net Worth	Times	1.58	1.99	-
PBDIT/Interest	Times	2.24	1.65	-
Total Debt/PBDIT	Times	3.85	5.66	-
Gross Current Assets (Days)	Days	167	306	-

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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