

Press Release

Jaganmatha Paraboiled Rice Industry

July 02, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) to the Rs. 6.00 crore bank facilities of Jaganmatha Paraboiled Rice Industry (JPRI). 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 has a sortex plant with capacity of 4 TPH at its facility at Suryapet (Telangana).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established presence of the group**

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 and has market presence of over a decade. SSDRI is also engaged in similar line of business. Acuité believes that JPRI will benefit over the medium term on account of extensive experience of the promoter.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of JPRI is marked by low net worth, moderate gearing and moderate debt protection measures. The net worth stood at Rs. 3.66 crore as on 31 March, 2019 (Prov.) as against Rs. 3.47 crore as on 31 March, 2018. The gearing (debt to equity) improved to 1.95 times as on 31 March, 2019 (Prov.) against 2.24 times as on 31 March, 2018. Total outstanding liabilities to total net worth (TOL/TNW) stood at 2.16 times as on 31 March, 2019 (Prov.) against 2.51 times in the previous year. Net cash accruals to total debt (NCA/TD) stood low at 0.08 times as on March 31, 2019 (Prov.) against 0.09 times as on March 31, 2018. Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood moderate at 1.64 and 1.12 times respectively as on 31 March, 2019 (Prov.).

Acuité believes that further improvement in the scale of operations, stable profitability and efficient working capital management will be the crucial factors that would affect the financial risk profile of the firm.

- **Susceptibility of margins to volatility in raw material prices and high competition**

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 often 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.

Liquidity Position:

Liquidity of JPRI is adequate marked by net cash accruals of Rs.0.50-0.80 crore during the last three years. The cash accruals of the firm are expected to improve, sufficient to repay the debt obligations over the near term. The firm's operations are well managed as marked by gross current asset (GCA) days of 78 in FY2019 (Prov.). Working capital borrowings of the firm remained fully utilised during the last 6 months ended May, 2019. The firm maintains unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2019 (Prov.). The current ratio of the firm stood at 1.18 times as on March 31, 2019 (Prov.). Acuité believes that the liquidity of the firm will remain adequate over the near to medium term on account of increasing net cash accruals sufficient to meet repayment obligations and absence of any debt funded capex plans.

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 steep decline in revenues, profitability or deterioration in the financial risk profile owing to higher-than-expected debt-funded capex or working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.38	16.04	5.12
EBITDA	Rs. Cr.	1.35	1.38	1.01
PAT	Rs. Cr.	0.16	0.09	0.05
EBITDA Margin	(%)	6.61	8.62	19.76
PAT Margin	(%)	0.78	0.54	0.98
ROCE	(%)	8.09	8.60	15.44
Total Debt/Tangible Net Worth	Times	2.24	1.58	1.99
PBDIT/Interest	Times	2.08	2.24	1.65
Total Debt/PBDIT	Times	5.76	3.85	5.66
Gross Current Assets (Days)	Days	78	167	306

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

None

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/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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-June-2018	Cash Credit	Long Term	6.00	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	6.00	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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