

Press Release

Jyoti Rice Mill

October 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double BB minus**) on the Rs. 8.00 crore bank facilities of Jyoti Rice Mill. The outlook is '**Stable**'.

Established in 2013, JRM is a Gujarat-based partnership firm promoted by Mr. Anil Shah and Mrs. Kavita Shah. The firm is engaged in processing and milling of non-basmati rice in Modasa (Gujarat) with installed capacity of 3 tons of rice per hour. The firm procures raw material i.e. paddy from the local market and farmers and sells its products to Gujarat and Maharashtra.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of JRM to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

Previously, the promoters were working for their group entities U K Enterprises and U K Industries and later started with Jyoti Rice Mill. Both the group entities are engaged in rice industry. The promoters possess experience of more than two decades in rice milling industry.

Acuite believes that JRM will continue to benefit from its management's extensive experience which will help the firm to maintain long standing relations with its customers and suppliers.

• Comfortable working capital operations

The firm operates in comfortable working capital nature as evident from Gross Current Asset (GCA) of 82 days in FY2018 as compared to 120 days in FY2017. The GCA days are mainly dominated by high inventory holding of 70 days in FY2018 compared to 110 days in FY2017. The collection period stood at 5 days in FY2018 compared to 13 days in FY2017. However, the average cash credit utilisation for the past six months stood at ~90 percent.

Acuite believes that JRM will continue to manage its working capital cycle in order to maintain a stable credit profile.

Weaknesses

• Fluctuating revenue and profitability margins

JRM has fluctuations in revenue marked by operating income of Rs.27.52 crore in FY2018 as against Rs.17.50 crore in FY2017 and Rs.19.99 crore in FY2016. The firm has booked revenue of Rs.7.00 crore for April to August, 2018. Further, the firm's operating margins have shown a fluctuating trend of 2.53 percent in FY2018 as against 3.58 percent in FY2017 and 2.06 percent in FY2016. The firm reported Profit after Tax (PAT) margin of 0.17 percent in FY2018 against 0.26 percent in FY2017 and 0.20 percent in FY2016.

Acuite believes that the firm's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

• Average financial risk profile

The financial risk profile is average marked by tangible net worth of Rs.2.63 crore as on 31 March, 2018

as against Rs.2.26 crore in the previous year. The gearing stood at 1.96 times on 31 March, 2018 as against 2.32 times in the previous year. The total debt of Rs.5.15 crore includes term loan from bank of Rs.1.02 crore, working capital borrowings of Rs.3.77 crore and unsecured loan of Rs.0.36 crore. Interest Coverage Ratio (ICR) stood at 1.73 times in FY2018 as against 2.10 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.01 times as on 31 March, 2018 as against 2.38 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at 0.06 times in both FY2018 and FY2017.

Going forward, Acuite believes that the firm's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

Outlook: Stable

Acuite believes that JRM's outlook will remain 'Stable' and the firm will benefit over the medium term from its experienced management, and comfortable working capital. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving its financial risk profile and maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.52	17.50	19.99
EBITDA	Rs. Cr.	0.70	0.63	0.61
PAT	Rs. Cr.	0.05	0.05	0.04
EBITDA Margin	(%)	2.53	3.58	3.06
PAT Margin	(%)	0.17	0.26	0.20
ROCE	(%)	5.91	5.43	11.43
Total Debt/Tangible Net Worth	Times	1.96	2.32	1.95
PBDIT/Interest	Times	1.73	2.10	2.41
Total Debt/PBDIT	Times	7.39	8.35	5.55
Gross Current Assets (Days)	Days	82	120	90

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

None

Any other information

None

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)

Not Applicable

*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	3.85	ACUITE BB- / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	0.96	ACUITE BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.19	ACUITE BB- / Stable

#sublimit - LC of Rs. 0.48 crore of term loan

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About Acuité Ratings & Research:

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