Rating Rationale

Brickwork Ratings has assigned 'BWR B+' & 'BWR A4' rating for Bank Loan facility aggregating to ₹ 20.27 Cr of A. S. Jute Product Pvt. Ltd.

Brickwork Ratings has assigned the following **Rating**[1] for Bank Credit facility availed from *State Bank of India* and *Lakshmi Vilas Bank* on a consortium lending basis amounting to Rs.20.27 Cr by A. S. Jute Product Pvt. Ltd. *(ASJPPL or the 'Company'*):-

Name	Amount (₹ Cr)	Tenure	Ratings
Fund Based Cash Credit	**6.00**	**Long Term**	**BWR B+** (Pronounced as BWR B Plus) **(Outlook: Stable)**
Term Loan	**14.11**		
Non Fund Based Bank Guarantee	**0.16**	**Short Term**	**BWR A4** (Pronounced BWR A Four)
Total	**20.27**	**Twenty crores and twenty seven lakhs**	

BWR has principally relied upon the audited financial results of FY12 – FY14, provisional Key figures of FY15, and projected financial results of FY16 – FY 17 and publicly available information and information/clarification provided by the company's management.

The rating has factored, *inter alia*, Extensive experienced management of over two decades in the Jute and allied industry; International plant setup and established network; Increasing turnover Y-O-Y since inception with reasonable operating profit margin, and ability of the promoters to infuse funds/capital into business, as and when required.
The Rating is however, constrained by weak financial profile as indicated by high gearing, net book loss and weak coverage ratios along with low cash accruals; intense competition from renowned and bigger players in the industry, highly capital intensive nature of business and Government regulated and inherent risk related to jute industries.

Background:
A. S. Jute Product Private Limited was incorporated in the year 2010 at Vishakapatnam, Andhra Pradesh and started its commercial production partially in 2012. ASJPPL is managed by four active directors namely, Mr. Anumalisetty Nagesh, Mr. Anumalisetty Mahesh, Mr. Om Prakash Rathi and Mr. Sunil Kumar Bhararia.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

It is engaged in manufacturing of jute products such as jute gunny bags and jute yarns which is processed from raw jute with an installed capacity for the gunny bags production and jute yarn production are 6825 MT and 3675 MT respectively.

The company caters to several textile and other allied firms based in and around Andhra Pradesh and few parts of Rajasthan and had recently entered into a contract of supplying jute products to various Government departments of Kolkata, Andhra Pradesh, Telangana, Orissa, Chhattisgarh and Madhya Pradesh.

It procures its basic raw materials such as Jute, majorly from suppliers based in Kolkata and rest is from local suppliers based in Vizianagaram.

It has its associate concerns which are diversified into different sectors such as trading of steel and cement, flour mill, real estate, etc.

Management Profile:
The company is actively managed by Mr. Sunil Bhararia and Mr. Om prakash Rathi along with other partners like Mr. Anumalisetty Nagesh and Mr. Anumalisetty Mahesh.
Mr. Sunil Bhararia is the Executive Director of the company and has 14 years of experience in the jute industry.
Mr. Om prakash Rathi is held as the Managing Director of the company and has 32 years of experience in jute and allied industry.
The rest of the partners are the prime members of the company who are well experienced in the field jute and related & diversified business line.

Financial Performance:
The company has achieved Rs. 31.50 Cr of net revenue in FY 14 with a net book loss of Rs. 0.92 Cr. While there was net loss over the last three years, the revenue has increased y –o – y with reasonable profit margins of ~ 10% arising out of its core operations. The tangible net worth of the firm stood at Rs. 5.25 Cr as on 31st March 2014 and the gearing ratio, defined as Total Debt: Tangible Networth is 5.13 times and considered as high. In addition to the net worth, as informed by the company's management, Rs. 11.43 Cr of unsecured loan has been infused by the promoters/ in 2015 and continues to remain in the business. However, considering USL, the gearing improves.

In FY 14, it has weak coverage ratios on account of book loss arising out of high finance cost, however, as in June 2015, the management has informed of regularizing the repayments due to its debt holders.

The company has informed that they have achieved net revenue of Rs. 34.74 Cr in FY15 (provisional).

Rating Outlook:
The rating outlook is expected to be stable over the current year. Going forward, growth in the revenue from operations along with significant increase in the profitability, thereby improving its coverage ratios coupled with optimum capital structure would be the key rating sensitivities.

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