

Rating Rationale

Jai Bajrangi Rice Mills

21 August 2017

Brickwork Ratings assigns ratings for the existing and proposed bank loan facilities of Jai Bajrangi Rice Mills.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
Fund Based			
Term Loan	4.50	Long Term	BWR B <i>(Pronounced as BWR Single B)</i> Outlook: Stable
Proposed Cash Credit	4.50#		
Total	Rs. 9.00# Crores (Rupees Nine Crores Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Limits are yet to be sanctioned.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

In assigning the rating for Jai Bajrangi Rice Mills (JBRM or 'the firm'), BWR has factored in, inter alia, the likely-hood of timely implementation of its ongoing project for rice milling and sorting, experience of proprietor in the industry and his moderate net worth. BWR has also considered the risk factors involved in operationalizing the project to ensure adequate cash flows as per the projected timelines in determining the rating, competition from other player players in the vicinity, and risks associated with its constitution as a proprietorship concern.

Key Rating Weaknesses

- 1. Constitution as proprietorship concern:** The proprietorship nature of firm further adds to risks associated with succession planning and likelihood over withdrawals from capital.
- 2. High Gearing Ratio:** As per project cost of Rs.12.44 Cr, proprietor is infusing Rs.2.67Cr as capital and Rs.0.70 Cr as unsecured loans from relatives and friends, resulting in high projected TOL/TNW ratio of 3.57x in FY18.
- 3. Limited track record of the Firm:** As the firm is set to be operationalised in FY18 no financial and operational data on the firm is available.

Key Rating Strengths

1. **Timely execution of project:** As per lenders' feedback, civil construction of the rice mill is almost complete, and the plant is expected to be operationalised by October 2017.
2. **Moderate Net worth of Proprietor:** The proprietor has infused capital of Rs. 2.67 Cr into the firm.

Analytical Approach:

BWR has factored in the standalone business and financial risk profile of the firm to arrive at the rating. The applicable rating criteria is hyperlinked below for reference.

Rating Outlook: Stable

BWR believes the **Jai Bajrang Rice Mills'** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Jai Bajrang Rice Mill was set up as proprietorship firm in 2017. Its office is located at Village Sikanderpur, Sirsa (Haryana). The firm is engaged in setting up a rice mill for milling of paddy and sorting of rice and one go-down in 9.25 acre of land. The firm will have capacity to produce 8 tonnes of finished goods per hour. The firm is expected to commence its commercial operations by October 2017.

Firm's Financial Performance-

No past financial data is yet available.

	FY18 (Projected)	FY19 (Projected)
Net Sales/Revenues	Rs 23.35 Cr	Rs 28.02 Cr
EBIDTA	Rs 1.81 Cr	Rs 1.96 Cr
PAT	Rs 0.16 Cr	Rs 0.35 Cr
Tangible Networth	Rs. 2.67 Cr	Rs. 2.95 Cr
Total Debt : TNW (TOL/TNW ratio)	3.57times	3.09 times
Current Ratio	1.44 times	1.54 times

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History	
		Type	Amount (Rs Crs)	Rating	2016	2015
1	Term Loans	Long Term	4.50	BWR B	NA	NA
2	Proposed Cash Credit		4.50#	Outlook: Stable		
	Total		9.00	Rupees Nine Crore only		

Limits are yet to be sanctioned.

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

Any other information: Not Applicable

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria - Service Sector](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Ashwini Mital Sr. General Manager (Ratings)	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.