



## Rating Rationale

**Jai Hanuman Agrotech Pvt. Ltd.**

**20 March 2019**

Brickwork Ratings assigns the rating for the Bank Loan Facilities of Rs. 6.17 Crs of Jai Hanuman Agrotech Pvt. Ltd. (JHAPL).

### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
<b>Fund Based:</b>			
Term Loan#	3.27	Long Term	<b>BWR B</b> (Pronounced as BWR Single B) (Outlook: Stable)
Open Cash Credit	2.50		
Overdraft	0.40		
<b>Total</b>	<b>6.17</b>	<b>INR Six Crores and Seventeen Lakhs Only</b>	

#Term loan outstanding as on 5th March, 2019.

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rating: Long Term and Short Term Rating Assigned:

Brickwork Ratings assigned the long term rating of 'BWR B' with "Outlook: Stable" to the bank loan facilities aggregating Rs.6.17 Crores of Jai Hanuman Agrotech Pvt. Ltd.

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has inter alia, factored Promoter's extensive experience of over a decade in Storage & Warehousing industry, locational advantage of the company and established Client base. However, the rating is constrained by low scale of operations, moderate financial risk profile, regulated nature of the industry, working capital intensive nature of operations and agro climatic risk. Going forward, ability of the company to scale up its operations, to improve its profit margins and to maintain its gearing in an intensely competitive industry will remain the key rating sensitivities.



### **Rating Outlook: Stable**

BWR believes that the business risk profile of Jai Hanuman Agrotech Pvt. Ltd. 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.

### **Analytical Approach :**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

### **Key Rating Drivers:**

#### **Credit Strengths:**

- **Experienced management:**The promoter-Directors of the company hold experience of more than a decade in the cold storage business which enable them to have a good understanding of the industry.
- **Locational Advantage:**The company enjoys locational advantage in terms of presence of is cold storage in Samastipur district of Bihar, where large quantity of potatoes are produced.
- **Established Client base:** The company has developed healthy relationship with traders and farmers over a period of time.

#### **Credit Weaknesses :**

- **Moderate Financial risk profile:** The moderate financial risk profile of the company is marked by low scale of operations, low profitability, moderate net worth, leveraged capital structure and moderate debt coverage indicators. Total Operating Income of the company stood at Rs.5.39 Crs in FY18. The networth of the company stood at Rs.4.56 crore as on 31st March, 2018 compared to Rs.3.84 Crs as on 31st March, 2017.The company has reported a net profit margin of 2.39% and operating profit margin of 26.24 % in FY18. The interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the company stood at 2.07 times and 1.56 times respectively in FY18.
- **Regulated nature of industry:**The potato cold storage industry in Bihar is regulated by the Bihar Cold storage association. The rental rates are fixed by the state department of agriculture & marketing, which limits their ability to earn higher profits.



- **Working capital intensive nature of business:** The company's business is working capital intensive due to the practice of extending advances to the farmers, thereby exerting pressure on the liquidity position. Further it has been marked by full utilization of the working capital limit.
- **Operation of the company entirely depends upon single agro commodity:** JHAPL's operation is fully dependent on single agro commodity, mainly potatoes, which makes company susceptible to agro climatic risk associated with Potato cultivation.

#### **About the Company:**

Jai Hanuman Agrotech Pvt. Ltd. (JHAPL) is Patna, Bihar based Private limited company promoted by Mr. Santosh Kumar, Mr. Ajeet Kumar and Mr. Pramod Kumar in 2012. However, the commercial operations of the company started in 2015. JHAPL is engaged in operating a multipurpose cold storage unit in Samastipur district of Bihar with an installed capacity to process around ~10,000 tonne. The overall operations of the company are managed by Mr. Santosh Kumar, director of the company.

#### **Company's Financial Performance:**

The company has registered total operating income of Rs.5.39 Cr in FY18 as against Rs.5.60 Crs in FY17. Tangible net worth of the company stood at Rs.4.56 Cr as on March 31, 2018 compared to Rs.3.84 Crs as on March 31, 2017. The company reported a net profit margin of 2.39% and operating profit margin of 26.24 % in FY18. The interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the company stood at 2.07 times and 1.56 times respectively in FY18.

Parameters	31-Mar-2017	31-Mar-2018
	(Audited)	(Audited)
Total Operating Income (Rs. Crores)	5.60	5.39
EBITDA (Rs. Crores)	1.48	1.43
PAT (Rs. Crores)	0.02	0.13
Tangible Net Worth (TNW) (Rs. Crores)	3.84	4.56
Total Debt : TNW (Times)	1.57	1.45
Current Ratio (Times)	1.90	1.17

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

Sl. No.	Instrument/ Facility	Current Rating (2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2018	2017	2016
1	Term Loan	Long Term	3.27*	BWR B (Pronounced as BWR Single B) Outlook: Stable	Nil	Nil	Nil
2	Open Cash Credit		2.50				
3	Overdraft		0.40				
<b>Total</b>			<b>6.17</b>	<b>INR Six Crores and Seventeen Lakhs Only</b>			

\*Term loan outstanding as on 5th March, 2019.

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
K V Raju Head - MSME Ratings <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

### **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