



## Rating Rationale

Janta Rice Mill

24<sup>th</sup> October 2017

### Brickwork Ratings assigns BWR B+ for the Bank Loan Facilities of Rs. 12.39 Crs of Janta Rice Mill

#### Particulars

Facility Rated#	FB/ NFB	Amounts (Rs. Crs)	Tenure	Rating <sup>^</sup>
Cash Credit	Fund Based	9.50	Long term	<b>BWR B+</b> (Pronounced BWR Single B Plus) <b>Outlook : Stable</b> <b>Assigned</b>
Warehouse Receipt		2.50		
Term Loan		0.39		
<b>Total</b>		<b>12.39 (INR Twelve Crores and Thirty Nine Lakhs Only)</b>		

<sup>^</sup> Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

# Annexure-I provides details of bank facilities

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

BWR has principally relied upon the audited financials of Janta Rice Mill ('JRM' or the Firm) upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the experience of JRM's partners in the rice processing industry, locational advantages and established relations with suppliers and customers. The rating is constrained by the small scale of operations, low profitability, weak debt protection metrics, highly leveraged capital structure and working capital intensive operations.

Going forward, the firm's ability to increase its scale of operations, improve profitability, strengthen its credit profile and manage its working capital efficiently would be the key rating sensitivities.

#### Analytical approach

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

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## Key Rating drivers

- **Experienced management**

The partners have industry experience in the rice processing industry spanning more than two decades.

- **Geographical advantages**

Janta Rice Mill acquires paddy from local mandis and suppliers, processes and sells various rice varieties. Its location in Karnal gives JRM ample access to cheap raw material directly from the fields of Haryana.

- **Established business relationships**

The firm has long-standing relationships with customers and suppliers. The finished products are majorly supplied to dealers who export the rice.

- **Small scale of operations**

Sales increased from Rs. 32.63 Crs (FY15) to Rs. 33.07 Crs (FY16). In FY17, Sales increased to Rs. 41.89 Crs.

- **Weak debt servicing capacity**

ISCR was low at 1.18 times as on 31/3/2016 and further decreased to 1.15 times as on 31/3/2017. Also, DSCR was 0.77 times as on 31/3/2016 and fell to 0.63 times as on 31/3/2017.

- **Low profitability and high leverage**

The firm has very low profit margins. Net profit margins were 0.09% in FY16 and 0.11% in FY17. Also, JRM has a highly leveraged capital structure- Total Debt/ Partners' Capital was 11.08 times during FY16 and 10.32 times during FY17.

## Rating Outlook : Stable

BWR believes that Janta Rice Mill's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

## About the Firm

Janta Rice Mill (JRM), was established as a partnership firm at Karnal, Haryana in 1978 by Mr. Raghbir Dutt, Mr. Jai Prakash Gupta, Mr. Ramesh Chand and Mr. Sat Pal. It is engaged in the processing and sale of rice. Paddy is procured from the local mandis and other suppliers. JRM is an indirect exporter and sells the following varieties of rice – Pakistani basmati, 1121 basmati, and BB basmati. The firm owns a rice mill at Nissing spread across 4.65 acres of land and sells majorly to wholesale dealers and agro processing units based in Haryana.



## Financial Performance

JRM reported Sales of Rs. 33.07 Crs for FY16 as against Sales of Rs. 32.63 Crs in FY15. PAT was consistent at Rs. 0.03 Crs for FY15 and FY16. For FY17, the Firm reported Sales of Rs. 41.89 Crs. Partners' Capital and gearing as on March 31 2017 stood at Rs. 1.78 Crs and 10.32 times respectively.

Key financial indicators are furnished in Annexure II.

## Rating History for the last three years:

Instrument/ Facility	Current Rating (September 2017)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2016	2015	2014
<b>Fund Based</b> Cash Credit Warehouse Receipt Term Loan	Long Term	9.50	BWR B+ (Pronounced BWR Single B Plus) (Outlook: Stable) Assigned	Not Rated	Not Rated	Not Rated
		2.50				
		0.39				
	<b>Total:</b>	<b>12.39</b>	<b>INR Twelve Crores and Thirty Nine Lakhs Only</b>			

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

## Hyperlink/Reference to applicable Criteria:

[General Criteria](#)

[Manufacturing Entities](#)

[Approach to Financial Ratios](#)

[Short Term Debt](#)

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**Janta Rice Mill**

**Annexure I – Details of Rated Facilities**

<b>Bank Facilities</b>	<b>Rated Amount (Rs. Crs)</b>
Punjab National Bank, Nissing	
<b><u>Fund based</u></b>	9.50
Cash Credit	2.50
Warehouse Receipt	0.39
Term Loan	
<b>Total</b>	<b>12.39</b>

**Annexure II – Key Financial Indicators**

<b>Particulars</b>	<b>FY2016 (A)</b>	<b>FY2017 (A)</b>
<b>Sales</b> (Rs. Cr)	33.07	41.89
<b>EBITDA</b> (Rs. Cr)	1.51	1.68
<b>PAT</b> (Rs. Cr)	0.03	0.04
<b>Partners' Capital</b> (Rs Cr)	1.59	1.78
<b>Total Debt: Partners' Capital</b> (Times)	11.08	10.32
<b>Current Ratio</b> (Times)	1.72	1.86

**For print and digital media**

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**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**

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