Rating Rationale

Jaswanti Rice Mill

29 May 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 13.97 Crores of Jaswanti Rice Mill.

Particulars

Issue	Previous Amount (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	Previous Rating (Apr, 2018)	Present Rating*
Fund Based	14.44	13.97	Long Term	**BWR B (Pronounced as BWR Single B)** Outlook: Stable	**BWR B (Pronounced as BWR Single B)** Outlook: Stable (Reaffirm)
Non-fund Based	(0.86)	(0.86)			
Total	14.44	13.97	**INR Thirteen Crores Ninety Seven Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY18, select data of FY19, publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of management and expansion to increase capacity. The rating, however, is constrained by small scale of operations, average debt protection metrics and exposure to agro climatic risks.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of management:** The firm has two partners namely Mrs. Rajni Agarwal and Mrs. Chaman Agarwal. Mr. Jagmohan Das Agarwal husband of Smt Rajni Agarwal, Mr. Vijay Kumar Agarwal husband of Smt Chaman Agarwal manage the day to day operations of the

Company. Both the brothers hold more than four decades of experience in the industry.
- **Expansion in terms of increased capacity:** The company has expanded from the installed capacity of 4 tonnes/hour to 10 tonnes/hour in FY18. In order to expand, increase their production capacity and improve the quality of products, the firm sold their old machinery and replaced it with new machinery of modern technology. Currently the firm is able to utilize capacity of 8 tonnes/hour.

Credit Risks:
- **Small Scale of operations:** The total operating income of the firm has reduced from Rs. 16.70 Cr. in FY17 to Rs. 7.59 Cr. in FY18. The firm was undertaking replacement of their old machinery with modern machinery for enhancement of capacity due to which the focus shifted to trading which affected the revenue in FY18. In FY19, the firm resumed their manufacturing operations and achieved a turnover of Rs. 48 Cr. (approx).
- **Average debt protection metrics:** The debt protection metrics is considered below average with an ISCR of 1.02 times and DSCR of 0.89 times in FY18. However, the promoters infuse capital in the business in order to meet any shortfall in the repayment obligations.
- **Exposure to Agro climatic risks:** Paddy being an agricultural commodity is exposed to vagaries of monsoon and other agricultural risks such as disease outbreak, lower/higher-than-projected production level (which impact the supply and hence the price) and quality inconsistencies.

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).

Rating Outlook: Stable
BWR believes the **Jaswanti Rice Mill** 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 Company
Jaswanti Rice Mill (JRM) was established in 1991 as a partnership firm; with its registered office at Pilibhit, Uttar Pradesh.The firm is engaged in production of Parboiled Rice. The company has enhanced the installed capacity from 4 tonnes/hour to 10 tonnes/hour in FY18. In order to expand, increase their production capacity and improve the quality of products, the firm sold their old machinery and replaced it with new machinery of modern technology. Currently the firm is able to utilize capacity of 8 tonnes/hour.

The firm is having two partners namely Mrs. Rajni Agarwal and Mrs. Chaman Agarwal. Mr. Jagmohan Das Agarwal husband of Smt Rajni Agarwal, Mr. Vijay Kumar Agarwal husband of Smt Chaman Agarwal manage the day to day operations of the Company. Both the brothers hold more than four decades of experience in the industry.

Company's Financial Performance

The total operating income of the firm has reduced from Rs. 16.70 Cr. in FY17 to Rs. 7.59 Cr. in FY18. The firm was undertaking replacement of their old machinery with modern machinery for enhancement of capacity due to which the focus shifted to trading which affected the revenue in FY18. In FY19, the firm resumed their manufacturing operations and achieved a turnover of Rs. 48 Cr. (approx). The tangible net worth of the firm has increased from Rs. 1.30 Cr. in FY17 to Rs. 2.86 Cr. in FY18 on account of capital infusion by the partners amounting to Rs. 1.42 Cr. The debt protection metrics is considered below average with an ISCR of 1.02 times and DSCR of 0.89 times in FY18. The liquidity position of the company is also stressed with a current ratio of 0.90 times in FY18.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (May 2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	30, Apr, 2018	2017	2016
1	**Fund Based**	Long Term	13.97	**BWR B (Pronounced as BWR Single B)** Outlook: Stable (Reaffirm)	**BWR B (Pronounced as BWR Single B)** Outlook: Stable	**N/A**	
2	**Non Fund Based**		(0.86)				
	Total		**13.97**	**₹ Thirteen Crores Ninety Seven Lakhs Only**			

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	In Rs. Cr.	7.59	16.70
EBITDA	In Rs. Cr.	0.84	0.55
PAT	In Rs. Cr.	0.03	0.03
Tangible Net worth	In Rs. Cr.	2.86	1.30

Total Debt/Tangible Net worth	Times	4.71	1.09
Current Ratio	Times	0.90	6.97

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

Analytical Contacts	Investor Contacts
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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 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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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