

Rating Rationale

Jhandewalas Foods Ltd

22 Jun 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 33.50 Crores of Jhandewalas Foods Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan, 2017)	Present
Fund based	25.66	28.50	Long Term	BWR BBB- Outlook:Stable	BWR BBB (BWR Triple B) Outlook: Stable Upgrade
Non Fund Based	-	5.00	Short Term	-	BWR A3 (BWR A Three)
Total	25.66	33.50	INR Thirty Three crores Fifty 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: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has relied upon JFPL's audited financial results of up to FY18, projected financials up to FY20, publicly available information, and information/clarifications provided by the company.

The rating factored, inter alia, long track record of the promoter, long lasting relations with the customers and recent equity infusion by the promoters for expanding scale of operations. The rating is however, constrained by high competition from competitors, relatively modest scale of operations and high regional as well as product concentration however, the same has been somewhat mitigated by the expansion in other regions such as Gujarat, NCR, Kashmir & Delhi .

Description of Key Rating Drivers

- Credit Strengths:

- Long track record of the company with an extensive experience management of more than 2-3 decades.
 - Long standing relations with suppliers and customers
 - Successful in raising Rs 16.01 Cr through IPO resulting in improved net worth
 - Company has achieved a turnover of Rs.177 cr for FY17-18 and has a order book of Rs.15 cr.
 - The company has extended its distribution network by penetrating other regions such as Delhi and Gujarat.
- **Credit Risks:**
 - High competition from competitors brands such as Patanjali, Amul, etc
 - Relatively modest scale of operations, limiting economies of scale.
 - The company has high regional concentration as well as product concentration.

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/Positive/Negative*

BWR believes the **Jhandewalas Foods Ltd** 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:

Jhandewalas Foods Limited/JFL is a Jaipur-based company that was incorporated in 2006 by Mr Rakesh Kulwal and his father Mr Bhanwar Lal Kulwal. JFPL is involved in the manufacturing of 'pure ghee' at its sole manufacturing facility located at V.K.I. Area, Jaipur. The company is also involved in the trading of 'pure ghee' and other products such as saffron, sugar, and sweets. All the products (except ghee of other brands) are sold by the company in its own packing under its established brand name 'Naman'. JFPL is an ISO 9001-2000 certified and HACCP certified company for the purpose of Food Safety Management System. JFPL plans to develop the existing products. Recently, they have launched cow ghee in their product range.

Management Profile

The company has been promoted by the Kulwal family which has been involved in the trading of ghee (clarified butter) for more than 100 years. The company is managed by Mr. Raakesh Kulwal.

Company Financial Performance

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	Amount in cr	177.88	148.60
EBITDA	Amount in cr	10.03	9.00
PAT	Amount in cr	3.17	2.26
Tangible Net worth	Amount in cr	32.86	13.36
Total Debt/Tangible Net worth	Times	1.48	2.67
Current Ratio	Times	1.84	1.79

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	28.50	BWR BBB / Stable Upgrade	BWR BBB- / Stable	BWR BB+ / Stable	NA
	Non Fund Based	Short Term	5.00	BWR A3	NA	NA	NA
	Total		33.50	₹ Thirty Three crores Fifty lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NA
Any other information

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)

- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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 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.

DISCLAIMER

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