



RATING RATIONALE

16 Dec 2020

MJ Grain Products Pvt. Ltd.

Brickwork Ratings Reaffirms the ratings for the Long Term and Short Term Bank Loan Facilities of MJ Grain Products Pvt. Ltd. (“MJGPPL” or the company) for a reduced aggregate amount of Rs.19.80 Crs.

Particulars:

Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Aug. 2019)	Present
Fund based	21.00	19.30	Long Term	BWR BB+ (Stable), Reaffirmed	BWR BB+ (Stable), Reaffirmed
Non Fund Based	0.60	0.50	Short Term	BWR A4+ Upgraded	BWR A4+ Reaffirmed
Total	21.60	19.80	Rupees Nineteen Crores and Eighty Lakhs Only		

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

^Rating migrated to Not Reviewed category on 24 Aug. 2020

** Details of Bank Loan facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings has **reaffirmed at BWR BB+ /A4+**, the ratings for the long term and short term bank loan facilities of MJ Grain Products Pvt. Ltd. while retaining the **Stable outlook**, for a **reduced amount of Rs 19.80 crs.**

The reaffirmation of the ratings factors in the experience of the directors, locational advantage of the unit, moderate debt protection metrics and net worth position of the company, and stable demand prospects for its products. The rating is however, constrained by modest scale of operations, vulnerability of its operations to agro climatic risks and Government regulations, and intense competition in the industry resulting in thin profitability margins.

The outlook has been retained at ‘Stable’, as BWR believes that the business risk profile of the company is stable and growth in business and profitability is expected to be maintained in the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Management:** The promoters of the company have business experience of more than a decade out of which they have about five years of experience in this industry. Longstanding presence of the promoters in the industry has aided the company in gradually increasing its capacities and overall performance of the company.
- **Locational Advantage:** The company's milling operations are based in Siliguri and the Basmati rice packaging unit is located in Karnal, thereby giving proximity to raw material sources for both the units. Due to seasonality involved with the availability of the raw material, the company procures and stores raw material inventory to mitigate risks of price fluctuation.
- **Moderate debt protection metrics and Tangible Net Worth position:** The debt protection metrics of the company continue to remain stable with ISCR and DSCR at 1.96 times and 1.33 times respectively in FY20. Further, Tangible Net Worth improved to Rs.18.08 Crs in FY20 vis-a-vis Rs.16.69 Crs in FY19 on account of retention of profits in the business.
- **Stable demand outlook:** Rice is the staple diet of the majority of the population in India. Despite the spread of Covid-19 pandemic, there was no decline in demand for rice in the country.

Credit risks:

- **Modest Scale of Operations:** The company has been in operations since March 2015 and the scale of operations continues to remain modest. Further, the company is utilising ~99% of its present installed capacity and does not have any plans for capacity expansion in the near term. However, to increase the scale of operations and topline, the company is planning to increase its trading activities. The improvement in operating revenues in FY 20 to Rs. 141.10 crs from Rs. 124.88 crs in FY 19 was majorly on account of increased trading activity. This may impact the profitability margins, however, the management is confident of getting a premium for its brand.
- **Agro-climatic risks & Government Regulations:** The products being agricultural commodities are susceptible to agro-climatic risks, which can affect the availability of paddy in adverse weather conditions. Since the cost of raw material accounts for 80-85% of total production cost, operating margin will remain exposed to any sharp volatility in raw material prices. Additionally rice being an agricultural commodity, it is susceptible to pest attacks thereby further influencing the price. Minimum support prices for paddy announced annually by the government also add uncertainty to the price at which paddy becomes available to the millers.
- **Intense Competition resulting in thin profitability margins:** The company faces intense competition owing to low entry barriers and the presence of numerous unorganised and organised players. Lack of product differentiation and low entry barriers result in margin-based competition which places downward pressure on the topline and bottomline resulting in muted profitability. The company reported Operating Profit



Margin and Net Profit Margin at 3.71% and 0.98% respectively in FY20 as against 3.50% and 1.09% respectively in FY19.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Upward: BWR may revise the ratings upward, in case the company is able to achieve the operating revenues as projected by them along with improvement in operating and net profit margins above the current levels, with stable debt protection metrics and other metrics also favouring an upgrade.

Downward: Lower than expected turnover & sharp decline in operating & net profit margins along with deterioration in the liquidity profile may result in a rating downgrade.

LIQUIDITY INDICATORS: Adequate

The liquidity position of the company is Adequate. Net Cash Accruals of the company stood at Rs. 2.62 crs as on 31 March 2020 which would be sufficient to meet the long term repayment obligations of the company. Average utilisation of cash credit limit for Siliguri unit stood at ~81% and for Karnal unit stood at ~91% in the past ten months. Cash & Bank balance stood at Rs. 0.25 crs as on 31 March 2020. ISCR & DSCR of the company remained comfortable at 1.96 times & 1.33 times respectively. Current ratio stood at 1.56 times in FY 20 as against 1.41 times in FY 19. The company availed the benefit of moratorium provided by RBI and a Covid Emergency Loan of Rs. 3.80 crs.

COMPANY PROFILE

MJ Grain Products Pvt. Ltd. was incorporated in December 2008, having its registered office in Kolkata. The company is engaged in processing and trading of parboiled rice and allied products. The company has a fully automatic Rice Milling Plant in Siliguri, with an annual installed capacity of milling 69,000 MT of Paddy. It also has a packing unit in Karnal, wherein Basmati rice is procured, sorted, graded and packed for selling directly under the brand name of 'Rangeet'. The directors of the Company are Mr. Gaurav Agarwal, Ms. Swati Bansal, and Mr. Vikash Bansal.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY 20	FY 19
Result Type		Audited	Audited
Operating Revenue	₹ Crs	141.10	124.88
EBITDA	₹ Crs	5.24	4.37
PAT	₹ Crs	1.39	1.36
Tangible Net Worth	₹ Crs	18.08	16.69
Total Debt/Tangible Net Worth	Times	1.49	1.43
Current Ratio	Times	1.56	1.41

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Crisil B+ (Stable)/A4, Issuer Not Cooperating as on 17 Nov. 2020

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument	Current Year Rating - 2020			Chronology of Rating History for the past 3 years along with outlook/watch, if applicable														
		Type	Amount Outstanding (₹ in Crs.)	Rating	Date(s) & rating(s) assigned in year 2019	Date(s) & rating(s) assigned in year 2018	Date(s) & rating(s) assigned in year 2017												
1.	Bank Loan Facility	Fund Based-Long Term	19.30	BWR BB+ (Stable) Reaffirmed, for reduced amount	22.08.2019 [^] <table border="1" data-bbox="776 1360 1027 1665"> <tr> <td>F B</td> <td>21.00</td> <td>BWR BB+ (Stable) Reaffirmed</td> </tr> <tr> <td>N F B</td> <td>0.60</td> <td>BWR A4+ Upgraded</td> </tr> </table> Long term rating reaffirmed, short term upgraded, for reduced aggregate amount	F B	21.00	BWR BB+ (Stable) Reaffirmed	N F B	0.60	BWR A4+ Upgraded	13.07.2018 <table border="1" data-bbox="1057 1360 1292 1633"> <tr> <td>F B</td> <td>21.61</td> <td>BWR BB+ (Stable)</td> </tr> <tr> <td>N F B</td> <td>0.50</td> <td>BWR A4</td> </tr> </table> Assigned	F B	21.61	BWR BB+ (Stable)	N F B	0.50	BWR A4	-
		F B	21.00	BWR BB+ (Stable) Reaffirmed															
N F B	0.60	BWR A4+ Upgraded																	
F B	21.61	BWR BB+ (Stable)																	
N F B	0.50	BWR A4																	
Non Fund Based-Short Term	0.50	BWR A4+ Reaffirmed, for a reduced amount																	
Total			19.80	Rupees Nineteen Crores Eighty Lakhs Only															

[^]Rating migrated to Not Reviewed category on 24 Aug. 2020

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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MJ Grain Products Pvt. Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1.	Cash Credit- Sanctioned	18.00	-	18.00
2.	Term Loan- Outstanding	1.30	-	1.30
3.	Bank Guarantee	-	0.50	0.50
TOTAL		19.30	0.50	19.80
Total Rupees Nineteen Crores and Eighty Lakhs only.				



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