Press Release

Jain Agro Industries

Revised Press Release

June 02, 2023

This is with reference to the Press Release dated March 29, 2023. The revised PR stands as follows:

Ratings

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	36.55	IVR BB/Stable (IVR Double B with Stable outlook)	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Total	**36.55**	**(Rupees Thirty-Six Crore and Fifty-Five Lakh Only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

Link to the last press release published on Infomerics' website:
https://www.infomerics.com/admin/uploads/pr-JainAgro-29mar23.pdf

Earlier Infomerics has moved the ratings assigned to the bank facilities of Jain Agro Industries into issuer not cooperating category due to non-submission of information by the firm. Now the firm has duly submitted all the required information for a detailed review and Infomerics has revised & removed the rating from 'ISSUER NOT COOPERATING' category. The revision in the ratings assigned to the bank facilities of the firm takes into account its experienced partners and stable demand for rice.

However, the rating strengths are partially offset by marginal increase in scale of operations with low profitability margins, below average financial risk profile and debt protection metrics, elongated operating cycle, susceptibility to changes in government regulations, intense competition and partnership constitution.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in capital structure and debt coverage indicators
- Effective working capital management with improvement in operating cycle and liquidity.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any further deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to further deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Partners

The firm is currently being managed by three partners namely Mr. Prithviraj Jain, Mr. Rattan Lal Jain and Mr. Sanjeev Kumar Jain. The partners are supported by well qualified and experienced team of technical experts, professionals from finance and marketing domain and other key personals for smooth and efficient functioning of the firm.

Stable demand for rice

India is the second-largest producer of rice (20% of global production) after China. Demand for rice, the country’s staple diet, is directly linked to population and is hence stable.

Key Rating Weaknesses

Marginal increase in scale of operations with low profitability margins

The Total Operating Income of JAI (Jain Agro Industries) increased marginally by 1% Y-o-Y i.e. from Rs. 117.17 Crore in FY21 to Rs. 118.30 Crore in FY22.

The profitability margins of the company marked by EBITDA margin improved by 56bps in FY22 i.e. from 4.41% in FY21 to 4.98% in FY22. This improved on account of decline in power cost, consumables cost and manufacturing expenses in FY22 as compared to FY21.

PAT margin improved by 19bps in FY22 i.e. from 0.33% in FY21 to 0.52% in FY22. PAT margin increased in line with EBITDA margin. Further, the firm has reported PAT of Rs. 0.61 crore on total operating income of Rs. 108.79 crore in 11MFY23.

Below Average Financial Risk Profile and Debt Protection Metrics

The Overall Gearing Ratio (Quasi Equity) of the firm is on higher side. However, it improved from 9.23 times as on 31-Mar-21 to 3.18 times as on 31-Mar-22. This improved on account of decline in term debt and upon considering unsecured loan to the tune of Rs. 6.63 Cr. as quasi equity as the same are subordinate to bank debt. TOL/TNW (Quasi Equity) also improved from 10.51x as on 31-Mar-21 to 4.13x as on 31-Mar-22. The debt protection metrics of the firm is below average marked by Interest Coverage Ratio of 1.28 times in FY22 (FY21: 1.35) and Debt Service Coverage Ratio of 0.67x in FY22 (FY21: 0.98x). Total Debt to GCA has improved in FY22 and it stands at 29.37 years in FY22 as against 39.90 years in FY21.

Elongated Operating Cycle

The Operating Cycle of the firm is elongated. The cash operating cycle in FY22 is 165 days (FY21: 141 days). The inventory holding period is of 119 days in FY22 (FY21: 91 days). The average creditor's period is of 31 days in FY22 (FY21: 21 days). The average debtor's period is of 78 days in FY22 (FY21: 71 days).

Susceptibility to changes in government regulations

Paddy being an agricultural product, its availability is seasonal and depends on monsoon/irrigation. This exposes the group to the risk of limited availability of raw material in case of unfavourable climatic conditions, leading to fluctuations in paddy and rice prices.

This is compounded by limited ability to completely pass on any increase in raw material price to customers. Also, the rice industry is regulated in terms of paddy price, export/import of rice, and rice release mechanism. Minimum support price of paddy and the prevailing rice price are key determinants of a rice mill's profitability.

Intense competition and low profitability margin

The Indian rice industry is fragmented, with low entry barriers due to limited capital and technological intensity, leading to a highly competitive market. The pricing power of the millers are limited because of low value addition of the product and hence the profitability margin remains low.

Partnership Constitution

The firm is exposed to risks arising from its partnership constitution such as risk of capital withdrawal & dissolution of partnership.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Company

Financial Ratios & Interpretation (Non- Financial Sector)

Criteria on assigning rating outlook

Liquidity – Stretched

The liquidity of the firm is stretched on account of expectation of lower cash accruals against debt repayments in next 3 years. The partners have demonstrated financial support to the firm in the past and are expected to support it going forward also. The average working capital utilization is high at ~97% during last 12 months ended January 2023. The unencumbered cash & bank balance stood at Rs. 0.07 Crore as on March 31, 2022. The current ratio of the firm is moderate at 1.61 as on March 31, 2022. The cash operating cycle in FY22 is 165 days.

About the Firm

Jain Agro Industries was established as a partnership concern by Mr. Prithviraj Jain, Mr. Sanjeev Kumar Jain and Mr. Rattan Lal Jain, having profit sharing ratio of 33.33% each. The firm had been into the business since 1996. The unit is situated at Sultanpur Road in Kapurthala District on an area admeasuring around 10 acres including own storage warehouse. The firm has installed capacity of 30MT for processing of paddy (10 MT parmal rice, 20 MT lines basmati). The firm has three lines of 10 MT per hour with separate sortex unit for each line.

Financials (Standalone):

(Rs. Crore)

For the year ended*/ As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	117.17	118.30
EBITDA	5.17	5.89
PAT	0.39	0.62
Total Debt	53.67	42.75
Tangible Net Worth (including quasi-equity)	5.82	13.44
EBITDA Margin (%)	4.41	4.98
PAT Margin (%)	0.33	0.52
Overall Gearing Ratio (x) (including quasi-equity)	9.23	3.18

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Vide press release dated December 21, 2022 Brickwork Ratings have kept the ratings under non-cooperation category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr.	Name of	Current Ratings (Year 2022-23)	Rating History for the past 3 years

		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Nov 17, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Sep 07, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in in 2019-20
1.	Term Loan	Long Term	8.55	IVR BB/ Stable	IVR BB-; ISSUER NOT COOPERATING	IVR BB/ Stable	-	-
2.	Cash Credit	Long Term	23.50				-	-
3.	Overdraft	Long Term	4.50				-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Upto May 2027	8.55	IVR BB/ Stable
Cash Credit	-	-	-	23.50	IVR BB/ Stable
Overdraft	-	-	-	4.50	IVR BB/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/LENDER-JAI-02JUNE23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.