



## Press Release

### Jain Agro Industries

**September 07, 2021**

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	36.85 (Enhanced from Rs.26.85 Crores)	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	Reaffirmed/Assigned
<b>Total</b>	<b>36.85</b> <b>(Thirty Six CroresEightyFive Lakhs Only)</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The rating assigned to the bank facilities of Jain Agro Industries derives comfort from experience of partners. The rating also factors in stable demand for rice and improved margins in FY21(Prov). However, these strengths are partially offset by below average financial risk profile, below average debt protection metrics, elongated operating cycle, susceptibility to change in government regulations, intense competition, low profitability margins and nature of constitution of the entity.

#### 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 financial risk profile
- 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.



## Press Release

### 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.

##### Improved Margins

The EBITDA Margin increased to 4.32% in FY21(Prov) as against 3.58% in FY20. PAT Margin increased to Rs.0.72% in FY21(Prov) as against 0.57% in FY20.

#### Key Rating Weaknesses

##### Below Average Financial Risk Profile

The Firm has small tangible networth of Rs.5.81 Crores in FY21(Prov) as against Rs.5.33 Crores in FY20. Overall Gearing stood at 7.05x in FY21(Prov) as against 6.24x in FY20. TOL/TNW stood at 10.15x in FY21(Prov) as against 8.31x in FY20. However, TOL/ATNW stood at 4.34x in FY21 (Prov) as against 3.81x in FY20. Total Debt/GCA stood at 30.68 years in FY21(Prov) as against 25.38 years in FY20.

##### Below average debt protection metrics and Elongated Operating Cycle

The Entity is having below average debt protection metrics with ICR of 1.33x and DSCR of 0.98x in FY21(Prov) as against 1.38x & 1.25x in FY20. Operating Cycle is elongated at 143 days with average collection period of 69 days, average inventory period of 92 days and average creditor period of 18 days in FY21(Prov).



## Press Release

### **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 Companies

Financial Ratios & Interpretation (Non- Financial Sector)

### **Liquidity –Stretched**

Gross Cash accrual stands at Rs.1.33 Crores in FY21(Prov) as against repayment obligation of Rs.1.47 Crores. GCA in the next 3 years is estimated to be in the range of Rs.1.10-1.20 Crores while repayment obligation is more than that. The bank limit was utilised at an average of around 85-90% during last 6 months. The cash & bank balance stood at Rs.0.25 Crores as on March 31, 2021(Prov). However, the current ratio of the firm is comfortable at 1.98x in FY21(Prov).



## Press Release

### 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 processing paddy of 30 MT (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	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	115.46	117.20
EBITDA	4.13	5.06
PAT	0.67	0.85
Total Debt	33.26	40.95
Tangible Net worth	5.33	5.81
Adjusted Tangible Networth	10.30	12.14
EBIDTA Margin (%)	3.58	4.32
PAT Margin (%)	0.57	0.72
Overall Gearing Ratio (x) based on Book TNW	6.24	7.05
Overall Gearing Ratio (x) based on Adjusted TNW	2.75	2.85

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:None

### Any other information:

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (07 <sup>th</sup> September 2021)	Rating (03 <sup>rd</sup> September 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities – Cash Credit	Long Term	23.50	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	-	-	-



## Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (07 <sup>th</sup> September 2021)	Rating (03 <sup>rd</sup> September 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
2.	Fund Based-OCC	Long Term	10.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	-	-	-	-
2.	Fund Based Bank Facilities-Term Loan	Long Term	3.35	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	-	-	-

### Name and Contact Details of the Rating Analyst:

Name: Mr. Deepak Kumar Name: Mr Om Prakash Jain

Tel: (011) 24601142 Tel: (011) 24601142

Email: [deepak.kumar@infomerics.com](mailto:deepak.kumar@infomerics.com) Email: [opjain@infomerics.com](mailto:opjain@infomerics.com)

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We



## Press Release

are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities- Cash Credit	-	-	-	23.50	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
Long Term Fund Based Bank Facilities- OCC	-	-	-	10.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
Long Term Fund Based Bank Facilities- Term Loan	-	-	April, 2025	3.35	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)

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

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Jain-AgroIndustries-lenders-7sept21.pdf>

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

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Working capital (CC/OCC)	Simple
2.	Term Loan	Simple

**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](http://www.infomerics.com).