

## Jaisri Shyam Food Products Private Limited

December 01, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	4.90	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.24	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>5.14</b> <b>(Rs. Five Crore and Fourteen Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Jaisri Shyam Food Products Private Limited (JSFPPL) to monitor the rating(s) vide e-mail communications/letters dated July 08 2021, November 17 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Jaisri Shyam Food Products Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Jaisri Shyam Food Products Private Limited's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING\*/ CARE A4; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The ratings take into account lack of information and non-receipt of fees.

**Rating Sensitivities:** Not Applicable

### Detailed description of the key rating drivers

At the time of last rating on December 30 2020, the following were the rating strengths and weaknesses:

#### Key Rating Weaknesses

##### Short track record along with small scale of operation and low profitability margins

The company started its commercial operation from December 2017, thus having a short track record operation. Furthermore, the company continues to be a small player in the rice milling industry with revenue and PAT of Rs.30.25 crore (FY19: Rs. 30.71 crore) and Rs.0.22 crore (FY19: Rs. 0.08 crore) respectively, in FY20 (Provisional) due to decline in sales realisation of rice bran during the year. Moreover, the net worth base and total capital employed was low at Rs.3.35 crore and Rs.8.87 crore, respectively, as on March 31, 2020 (Provisional). The small size restricts the financial flexibility of the entity in times of stress. This apart, the PBILD and PAT margin remained low at 2.80% and 0.73% respectively, during FY20 (Provisional). On account of COVID-19, the government of India has allowed the company engaged in rice milling to continue operation as they are engaged in manufacturing of essential commodities. Hence, the company has started operations from April 10, 2020 after lockdown imposed on March 25, 2020 onwards after maintaining proper safety arrangements in its business premises adherence to government guidelines. The company has achieved revenue of Rs.21 crore for 8MFY21. The company expects to achieve a turnover of around Rs.28 crore in FY21.

The company generated operating income of Rs.28.53 crore in FY21 (Provisional).

##### Regulation by Government in terms of minimum support price (MSP)

The Government of India (GoI), every year decides a minimum support price (MSP) to be paid to paddy growers which limits the bargaining power of rice millers over the farmers. The MSP of paddy increased during the crop year 2020-21 to Rs.1868/quintal from Rs.1815/quintal in crop year 2019-20. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profit margins are highly vulnerable.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

**Seasonal nature of availability of raw material resulting in working capital intensity and exposure to vagaries of nature**

JSFPPL is primarily engaged in the processing of rice products in its rice mills. Paddy is mainly a 'kharif' crop and is cultivated from June-July to September-October and the peak arrival of crop at major trading centres begins in October. The cultivation of paddy is highly dependent on the monsoon. Unpredictable weather conditions could affect the output of paddy and result in volatility in price of paddy. In view of seasonal availability of paddy, working capital requirements remain high at season time owing to the requirement for stocking of paddy in large quantity. Also, agro products cultivation is highly dependent on monsoons, thus exposing the fate of the company's operation to vagaries of nature.

**Intensely competitive nature of the industry with presence of many unorganized players**

Rice milling industry is highly fragmented and competitive due to presence of many small players operating in this sector owing to its low entry barriers due to low capital and technological requirements. Burdwan and nearby districts of West Bengal are a major paddy growing area with many rice mills operating in the area. High competition restricts the pricing flexibility of the industry participants and has a negative bearing on the profitability.

**Leveraged capital structure with moderate debt coverage indicators**

The capital structure have improved in FY20 (Provisional) over FY19 with improvement in debt equity ratio and overall gearing ratio on account of scheduled repayment of term loan coupled with higher accretion of profits to reserves during FY20. However, the same remains leveraged marked by overall gearing ratios 1.61x as on March 31, 2020 (Provisional). Moreover, the debt coverage indicators also remained moderate as marked by high total debt to GCA ratio of 15.03x and moderate interest coverage ratio of 1.71 in FY20 (Provisional).

The overall gearing ratio stood at 4.09x as on March 31, 2021.

**Key Rating Strengths****Experienced management**

Although, the company is still in its nascent stage of operation, the directors have adequate experience in different business like trading of rice and trading of agricultural equipment industry. The day to day activities of the company are looked after by Mr. Ajay Poddar (aged, 51 years) and Mr. Kirodimal Agrawal (aged, 58 years) along with a team of experienced professionals who have rich experience in the similar line of business.

**Close proximity to raw material sources and stable demand outlook of rice**

Jaisri Shyam Food Products Private Limited's plant is located in Burdwan District, West Bengal which is in close proximity to the paddy growing areas of the state. The entire raw material requirement is met locally from the farmers (or local agents) helping the entity to save simultaneously on transportation cost and paddy procurement cost. Further, rice being a staple food grain with India's position as one of the largest producer and consumer, demand prospects for the industry is expected to remain good in near to medium term. Rice, being one of the primary food articles in India, demand is high throughout the country and with the change in life style and health consciousness; by-products of the same like rice bran oil etc. are in huge demand.

**Liquidity:** Not Applicable

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

**About the Company**

Jaisri Shyam Food Products Private Limited (JSFPPL) was incorporated as a Private Limited Company on December 19, 2013. However, after remaining dormant for almost five years, the company started commercial operation from December, 2017. The company has set up a rice milling and processing unit at Burdwan, West Bengal with an installed capacity of 15,000 MTPA. The day-to-day activities of the company are looked after by Mr. Ajay Poddar and Mr. Kirodimal Agrawal along with a team of experienced professionals who have rich experience in the similar line of business.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)	H1FY22 (P)
Total operating income	30.24	28.53	NA
PBILDT	0.90	0.93	NA
PAT	0.17	0.16	NA
Overall gearing (times)	4.00	4.09	NA
Interest coverage (times)	1.82	1.67	NA

A: Audited; P: Provisional; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	0.90	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	-	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	-	0.24	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	0.90	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (30-Dec-20)	1)CARE B+; Stable (02-Dec-19)	1)CARE B+; Stable (09-Aug-18)
2	Fund-based - LT-Cash Credit	LT	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (30-Dec-20)	1)CARE B+; Stable (02-Dec-19)	1)CARE B+; Stable (09-Aug-18)
3	Non-fund-based - ST-Bank Guarantees	ST	0.24	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (30-Dec-20)	1)CARE A4 (02-Dec-19)	1)CARE A4 (09-Aug-18)

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantees	Simple

#### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Name: Mradul Mishra  
Contact no.: +91-22-6754 3573  
Email ID: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Name: Punit Singhania  
Contact no.: +91-33-4018 1620  
Email ID: [punit.singhania@careratings.com](mailto:punit.singhania@careratings.com)

### Relationship Contact

Name: Anwesa Mukhopadhyay  
Contact no.: + 91-33- 4018 1637  
Email ID: [anwesa.mukhopadhyay@careratings.com](mailto:anwesa.mukhopadhyay@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

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