

## Janki Rice & Solvent Industries Private Limited

January 09, 2023

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	73.87	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short Term Bank Facilities	2.90	CARE A4 (A Four)	Assigned
<b>Total Bank Facilities</b>	<b>76.77</b> <b>(₹ Seventy-Six Crore and Seventy-Seven Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Janki Rice & Solvent Industries Private Limited (JRSIPL) remains constrained on account of overall moderate financial risk profile marked by moderate profitability along with moderate capital structure and debt coverage indicators during FY22 (Audited, refers to period April 01 to March 31). The ratings further remain constrained due to regulated nature of industry, volatile agro-commodity (paddy) prices with linkages to vagaries of the monsoon and stretched liquidity position.

The ratings, however, derive strength from experienced promoters with support from group entities, increasing scale of operations along with moderate order book position.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations by 50% or more with increase in profitability margins marked by PBILDT margin of 4% or more on sustained basis
- Improvement in capital structure and debt coverage indicators marked by below 1.5 times overall gearing and TDGCA of 10 years or less

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- De-growth in Total operating income (TOI) by more than 20% with decline in PBILDT margin below 1.5%
- Further deterioration in capital structure and debt coverage indicators
- Elongation in working capital cycle by above 100 days

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Moderate Profitability margins

JRSIPL's profitability margins remained moderate owing to low value addition nature of business marked by PBILDT margin of 2.33% in FY22 as against 1.91% in FY21. Improvement in PBILDT margin was mainly on account of reduced cost of material consumed. PAT margins remained thin at 0.77% during FY22 as against 0.61% during FY21.

##### Moderate capital structure and debt coverage indicators

The capital structure of the company remained moderate marked by overall gearing of 3.41 times as on March 31, 2022 as against 3.07 times as on March 31, 2021 with increase in total debt level as on March 31, 2022. Debt coverage indicators improved however remained moderate marked by total debt to gross cash accruals (TDGCA) of 19.77 years as on March 31, 2022 as against 23.13 years as on March 31, 2021. Improvement in TDGCA was on account of increased GCA level during FY22. GCA remained at Rs.2.32 crore during FY22 as against Rs.1.54 crore during FY21. Interest Coverage ratio also improved however remained moderate at 2.12 times during FY22 as against 1.38 times during FY21 with increase in profitability during FY22.

##### Volatile agro-commodity (paddy) prices with linkages to vagaries of the monsoon

Paddy is mainly a 'kharif' crop and is cultivated from June-July to September-October and the peak arrival of crop at major trading centers 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Regulated nature of the industry

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 was increased during the crop year 2021-22 to Rs.2040/quintal from Rs.1940/quintal in crop year 2020-21. The sale of rice in the open market is also regulated by the government through levy quota and fixed prices. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profit margins are highly vulnerable to change in government policies.

### Key Rating Strength

#### Experienced Promoters and support from group entities

JRSIPL is promoted by eight promoters viz. Mr. Dilipkumar Ramwani, Mr. Madankumar Ramwani, Mr. Jitendrasinh Vaghela, Mr. Pushparaj Vaghela, Mr. Kush Ramwani, Mr. Tarachand Ramwani, Mrs. Nayanaben Vaghela and Mr. Jaydip Ramwani. Mr. Dilipkumar Ramwani has 27 years of industry experience, Mr. Madankumar Ramwani has 25 years of industry experience and Mr. Jitendrasinh Vaghela has 18 years of industry experience. Further, JRSIPL is a part of Janki Group which is in the agro processing business for more than 3 decades and therefore has an established distribution channel. The group total turnover remained at Rs.800 crore for FY22. Janki Group has established its international presence with more than 60% of the sales under direct exports. Janki Group consist of Janki Agro Industries, Indian Export, Siddhi Vinayak Agro Industries, Jay shiv Industries, Janki Global Industries and Janki Rice and Solvent India Private Limited.

#### Increasing albeit moderate scale of operations coupled with feasible orders on hand

The scale of operations as marked by Total operating Income (TOI) has been growing at a compounded annual growth rate (CAGR) of 40.70% for the period FY19-FY22 however remained moderate. JRSIPL reported TOI Rs.242.48 crore during FY22 as against Rs.210.89 crore during FY21 with increased proportion of export orders. As on November 29, 2022, the company's export order book position remained at Rs.22.08 crore which will be executed by the end of Q4 FY 2022-23.

#### Liquidity: Stretched

Liquidity position of JRSIPL remained stretched during FY22 marked by high average working capital utilization, negative net cash flow from operating activity, moderate operating cycle, moderate cash and bank balance as on March 31, 2022 and stretched gross cash accruals during FY22 against debt repayment in FY23. Average utilization of working capital limits remained high around 87.81 % during past twelve months period ended October 31, 2022. Operating cycle of JRSIPL remained moderate at 72 days during FY22 as against 55 days during FY21. Current ratio remained at 1.51 times as on March 31, 2022 as against 1.43 times as on March 31, 2021. Net cash flow from operating activities remained negative at Rs.10.88 crore during FY22 as against negative flow of Rs. 6.89 Crore during FY21. Cash and bank balance remained moderate at Rs.2.07 crore as on March 31, 2022 as against Rs.5.12 Crore as on March 31, 2021. Furthermore, GCA level remained stretched at Rs.2.32 crore during FY22 as against total debt repayment of Rs.2.76 crore during FY23.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

#### About the company

Sanand, Gujarat based JRSIPL was incorporated in August 18, 2008 and promoted by 8 promoters namely Mr. Madankumar Ramwani, Mr.Dilipkumar Ramwani, Mr. Jitendrasinh Vaghela, Mr. Pushparaj Vaghela, Mr. Kush Ramwani, Mr. Tarachand Ramwani, Ms. Nayna J. Vaghela and Mr. Jaydip Ramwani. JRSIPL is engaged into processing and export of Basmati and Non-Basmati rice having different kinds of grades with an installed capacity of 5 tones per hour as on March 31, 2022.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	Q3FY23* (Prov.)
Total operating income	210.89	242.48	191.03
PBILD	4.03	5.64	NA
PAT	1.28	1.86	NA
Overall gearing (times)	3.07	3.41	NA
Interest coverage (times)	1.38	2.12	NA

A: Audited, Prov.: Provisional, NA: Not Available \*Till October 31, 2022.

**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:** Please refer Annexure-3

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

**Bank Lender Details for this Company:** Please refer Annexure -5

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

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	38.00	CARE BB; Stable
Fund-based - LT-Proposed fund-based limits		-	-	-	27.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	31/12/2026	8.87	CARE BB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A4
Non-fund-based - ST-Proposed non-fund-based limits		-	-	-	2.40	CARE A4

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

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	38.00	CARE BB; Stable				
2	Fund-based - LT-Term Loan	LT	8.87	CARE BB; Stable				
3	Fund-based - LT-Proposed fund based limits	LT	27.00	CARE BB; Stable				
4	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A4				
5	Non-fund-based - ST-Proposed non fund based limits	ST	2.40	CARE A4				

**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-Proposed fund-based limits	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Proposed non-fund-based limits	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 instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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