

Jay Bharat Spices Private Limited

August 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	72.00 (Enhanced from 28.40)	CARE BBB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable;

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

In the absence of minimum information required for the purpose of rating, CARE Ratings Limited (CARE) was unable to express an opinion on the rating of Jay Bharat Spices Private Limited (JBSP) and in line with the extant SEBI guidelines, CARE had moved the rating of the bank facilities of the company to 'CARE BB-; Stable; Issuer Not Cooperating'. However, the company has now submitted the requisite information to CARE. Accordingly, CARE has carried out a full review of the rating and the rating has been removed from Issuer not cooperating category and revised to 'CARE BBB-; Stable'.

The revision in rating assigned to the long-term bank facilities of JBSP takes into account the improvement in financial performance over the years, long track record of promoters in the spices industry, established brand name in Eastern India along with diversification in other regions and established relationship with the suppliers and distributors.

The rating, however, continue to remain constrained by fragmented nature of spice industry along with high competition, volatility of agro-based raw material prices and moderate capital structure of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation beyond Rs. 800 crore, along with maintaining PBILDT margins beyond 4% on a sustained basis.
- Improvement in networth base leading to improvement in overall gearing below unity.

Negative factors

- Sizable decline in scale of operations of the company below Rs. 400.00 crores along with PBILTD margin below 3%, on a sustained basis.
- Any further debt laden capex leading to deterioration in capital structure (overall gearing above 2x).

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will benefit from experience of promoters, which will help improving its scale of operation while maintaining its profitability margins, which in turn will increase the company's network.

Detailed description of the key rating drivers:

Key strengths

Established brand name in Eastern India

The company promotes its products under the "Bharat Masala" brand, which has a good recall value in the eastern states, especially Odisha and gradually diversifying to other regions. This recognition has contributed to a steady increase in sales over time. To enhance brand awareness, the company consistently invests annually in advertising and brand promotion.

The company's products are sold through a distribution network of approximately 2000 distributors across India, allowing for extensive geographical coverage. The revenues of the company are expected to continue to benefit from the established brand name in medium term.

Improvement in financial performance over the years

The total operating income of the company increased by 27% y-o-y during FY24 to Rs 613 crore from Rs 483 crore in FY23 backed by increase in sales volume. The company is rapidly increasing its presence across different states of India, along with addition of new products like pasta, ketchup, vermicelli, papad, soya chunks, etc. helping it to record improvement in revenues at a 17.50% CAGR over the last 4 years.

PBILTD margin of the company remained stable at 4% in FY24 (4.16% in FY23). The turnover is expected to improve gradually with further brand recognition and the margins are expected to remain around similar levels in medium term.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Long track record of promoters in spice industry

The company was founded by Mr. Surendra Nath Panda in 1999. Currently the company's day to day operations are looked after by Mr. Susanta Kumar Panda (son of Mr. Surendra Nath Panda). The promoters have an experience of around two decades in the food processing industry, i.e. procurement and grinding of spices and processing of food products. The company also has employee strength of around 1200 with separate departments for sales, marketing, HR and operations.

Established relationship with the suppliers and distributors

JBSPL is involved in the spice business for more than two decades. The popularity of the brand 'Bharat Masala' and growing demand has helped the company maintaining long term relationship with the dealers. JBSPL currently has a distribution network of more than 2000 distributors across India.

The company is well-stocked with essential raw materials which are agricultural products, particularly raw spices. The company's longstanding relationship of over two decades with major suppliers ensures a steady and uninterrupted supply of these raw materials.

Key weaknesses**Fragmented nature of industry and high competition**

The company is in competition with both organized and unorganized entities. The spice market in India is highly fragmented and regionalized. The top five players only make up about 45% of the branded spice market. As the Indian palate varies by region, the market is primarily controlled by regional small-scale manufacturing units, unlike other fast-moving food product categories where global MNCs hold a significant share. Organized entities only account for around 40% of the domestic spice market. The industry is fiercely competitive due to the limited scope for value addition and product differentiation.

Volatility of raw material prices

Agricultural commodities like Turmeric, Cumin, Coriander, Garlic, Chilli, Cloves, Salt, Cinnamon and Cardamom are the key raw material for JBSPL. The raw material cost contributes around 80% of total cost of production. Due to seasonality of raw material, monsoon and government policies, the profitability of the company is vulnerable from fluctuations in raw material prices and also due to commoditized nature of the business, as processes involve limited value addition. Furthermore, any increase in raw material price cannot be passed on to the customers entirely.

Moderate capital structure albeit improvement

The capital structure of the company has remained moderate over the years owing to infusion of term loans for various capacity enhancement. The overall gearing as on March 31, 2024 stood at 1.68x against 2.44x as on March 31, 2023. The overall gearing is improving over the years backed gradual repayment of term loan and increasing network.

With no major capex in near future, the overall gearing ratio is set to improve in medium term. The debt protection matrices also remained moderate albeit improvement in FY24, with Total debt / GCA of 3.04x against 4.40x in the previous year. However, the interest coverage ratio stood at a comfortable level of 4.35x for FY24. The capital structure and debt protection matrices are expected to improve gradually in the medium term with no major debt funded capex plans and improvement in revenues and network.

Liquidity: Adequate

JBSPL has adequate liquidity marked by GCA of Rs 18.21 crores in FY24 against debt servicing obligation Rs 8.35 crores. Going forward, the company is expected to generate sufficient cash accruals to meet its debt servicing obligation. The average utilisation of working capital limits stood at 90% for 15 months period ending June 30, 2024. The operating cycle of the entity remained stable over the years at around 30 days.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

Incorporated in 2003, Jay Bharat Spices Private Limited (JBSPL) was founded by Mr. Surendra Nath Panda in Cuttack, Orissa. It is engaged in procurement and grinding of whole spices into powder, which is marketed and sold by the company under the brand name of "Bharat Masala". It is also into processing of other food items like pasta, tomato ketchup, macaroni, vermicelli, papad, soya chunks, atta, besan etc. The company has 4 processing facilities in Cuttack, Odisha with an installed capacity of 55,000 MTPA for grinding of spices and 19,200 MTPA for pasta.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	482.59	613.42	166.97
PBILDT	20.06	24.46	7.93
PAT	3.51	5.89	2.41
Overall gearing (times)	2.44	1.68	-
Interest coverage (times)	3.81	4.35	-

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA: ICRA has conducted the review on the basis of best available information and has classified JBSPL as "Not cooperating" vide its press release dated November 24, 2023. The reason provided by ICRA is absence of requisite information and non-payment of surveillance fee.

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	46.16	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	May 2028	25.84	CARE BBB-; Stable

Annexure-2: Rating history for the 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	46.16	CARE BBB-; Stable	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (15-May-23)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (19-Apr-22)	-
2	Fund-based - LT-Term Loan	LT	25.84	CARE BBB-; Stable	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (15-May-23)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (19-Apr-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities : Not Applicable.**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

Note on the 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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About us:

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