JMP Industry Private Limited

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	5.80	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	94.20	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of JMP Industry Private Limited (JMP) derive strength from the company's experienced promoters with long track record of operations. The ratings also factor in company's diversified product mix, strong distribution network and established brand in the region. The ratings also take into account growing scale of operations, efficient working capital management, comfortable capital structure, moderate debt coverage indicators and adequate liquidity position of the company. However, the rating strengths are partially offset by the company's thin profitability with exposure to volatility in raw material prices, vulnerability of the business to fluctuations in agro-climatic conditions and regulatory risks associated with food-related products.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations to Rs. 700 crore along with profit before interest, lease rentals, depreciation and tax (PBILDT) margin sustaining above 4%.
- Total Debt/ PBILDT sustaining at less than 2.5 times on sustained basis

Negative factors

- Decreasing scale of operations to Rs. 400 crore along with PBILDT margin sustaining below 2.5%.
- Deterioration in Total Debt/ PBILDT above 4.0 times on sustained basis.
- Any large-sized debt-funded capital expenditure (capex) or significant stretch in its gross working capital cycle resulting in to stretched liquidity position.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the company would continue to benefit from healthy demand of wheat & rice being a staple diet in India resulting in stable demand, which shall enable the company to sustain its performance over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoters:

JMP is promoted by the Jindal family, which is engaged in the business of manufacturing of agro-based products for around three decades. Mr. Ankush Jindal, a second-generation entrepreneur, oversees the overall operations under the guidance of his father Mr. Madan Lal Jindal who is acquainted with operational expertise in the flour milling business for around 3 decades. Promoter & related parties have infused funds over the years to support the business. Outstanding unsecured loans (subordinated to net-worth) from promoter & relatives stood at Rs. 14.76 crore as on March 31, 2024.

Diversified Product Mix supported with strong distribution network:

JMP has a diversified product portfolio, including wheat-based products such as Maida, Sooji, Rawa, Atta, and Bran, as well as rice products like rice and rice bran. The wheat segment contributed approximately 63% to total sales, with the remaining share attributed to the rice segment during FY24 (refers to the period April 01 to March 31). The company with its two well-established regional brands, "JMP" and "Dildaar", distribute its products through a combination of large corporates and local Kirana stores, resulting in a broad and varied customer base. The promoters' long-standing experience in the flour mill industry has facilitated

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

the establishment of strong relationships with both suppliers and customers. During FY24, the top 10 customers accounted for around 35% of total sales.

Growing scale of operations albeit slight moderation observed during FY24:
The company's Total Operating Income (TOI) has grown at a Compound Annual Growth Rate (CAGR) of approximately 9% from FY20 to FY24, reaching Rs. 490.83 crore in FY24. This growth is primarily driven by an increase in capacity from 775 MT/day to 995 MT/day in FY22, which led to higher sales volumes and improved sales realization. However, the company experienced nearly 8% decline in sales during FY24 majorly due to the government-imposed export ban on rice, which significantly affected the export segment sales. With the lifting of this ban in H2FY25 (refers to the period October 01 to March 31), the company expects the export market to recover and provide additional support for growth.
The company has reported a TOI of Rs. 240 crore during H1FY25 (refers to the period April 01 to September 30) and expects to book ~Rs. 590 crores in FY25 supported by lifting of export ban on rice coupled with healthy demand due to festive season.
CARE Ratings' expects the company to continue benefiting from sustained demand for wheat and rice, which is anticipated to support its operational performance over the medium term. However, the company's ability to recover performance under the export segment remains a key factor to monitor.

Efficiently working capital management:
Due to the seasonality of rice and wheat harvesting, the company must maintain appropriate raw material inventory to ensure uninterrupted production throughout the year. Despite being working capital intensive, the company effectively manages its working capital. This efficiency is demonstrated by the company's ability to maintain optimal inventory levels, collect receivables promptly, and minimize payables. The company generally procures raw materials through local brokers and settles payments immediately, resulting in zero payable days. After acquiring the raw materials, the company typically requires 20-30 days for processing before selling the finished products to customers, with an average collection cycle of around 20 days. The efficient management of the working capital cycle has resulted in low utilization of working capital limits, averaging approximately 50-55% over the 12 months ending October 2024.
The company's ability to continue efficiently managing its working capital remains a key aspect to observe going forward.

Comfortable capital structure with moderate debt coverage indicators:
JMP's capital structure stood comfortable marked by overall gearing of 0.77x as on March 31, 2024. The capital structure is expected to remain comfortable over the medium term in the absence of any large debt-funded capex. Debt coverage indicators remain moderate marked by total debt to gross cash accruals (GCA) and interest coverage ratio of 4.85x and 3.53x respectively for FY24.
The company's ability to maintain its financial risk profile while managing its working capital requirements would remain a key monitorable from credit perspective.

Key weaknesses

Thin profitability with exposure to volatility in raw material prices:
In the food products segment, the company primarily engages in milling, a process characterized by limited value addition. Furthermore, the majority of wheat and rice product processors in the country are smaller players operating within specific market niches. JMP's position in this highly competitive and fragmented market results in relatively stable PBILDT margins. Over the past five years, both PBILDT and profit after tax (PAT) margins have remained within a narrow range, with PBILDT and PAT margins reported at 2.98% and 0.82%, respectively, for FY24. However, JMP benefits somewhat from its well-established customer relationships and the established regional brand recall.

Vulnerability of the business to fluctuations in agro-climatic conditions and changes in government policies:
The industry is dependent on rain patterns and natural climatic conditions. Production and supply are impacted by erratic weather conditions like unseasonal rain, heatwave, improper irrigation facilities, coupled with pre-harvest and post-harvest losses. This apart, government policies actively intervene to regulate wheat, rice and related product prices, preventing the full transfer of incremental costs to customers which results in variation in profitability margins.

Intense competition and fragmented nature of industry:
The commodity nature of the product makes the industry highly fragmented, with numerous players operating in the unorganised sector with less product differentiation. There are several small-scale operators that are not into end-to-end processing of rice from paddy, but instead, merely complete a small fraction of processing and dispose-off the semi-processed rice to other big rice millers for further processing. The concentration of rice millers around the paddy-growing regions makes the business intensely competitive and limits the pricing flexibility of the industry participants. Further, the flour mill industry is highly fragmented with

more than two-third of the total number of players being unorganised and most of flour being supplied through small 'chakki' units. With absence of set quality standards, there is a huge presence of many players in the unorganised and organised segments. The entry barriers are low in this industry, which contributes to increased competition.

Liquidity: Adequate
The company's liquidity position remains adequate, with an expected cushion in accruals of approximately Rs. 10.74 crore against repayment obligations of Rs. 2.54 crore in FY25. As of March 31, 2024, it holds free cash and cash equivalents totalling Rs. 1.67 crore. The company has maintained a low reliance on working capital limits, with an average utilization of around 53% for the trailing twelve months ending October 2024. The unutilized portion of these limits provides additional liquidity support in the event of cash flow mismatches.
There are no significant capital expenditure (capex) plans, other than routine maintenance activities, which will be funded through internal accruals and additional unsecured loans from the promoters, as and when required.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

JMP, incorporated in June 1994, engaged in the processing and sale of wheat and paddy based products, including Maida, Sooji, Rawa, Atta, Bran, Rice, and Rice Bran etc. The company primarily operates in the domestic market, while also serving the export sector through a B2B business model. JMP also markets its own brands, "JMP" and "Dildaar." The Company is currently led by Mr. Madan Lal Jindal (Promoter), Ms. Preeti Jindal (Promoter's spouse), and their son, Mr. Ankush Jindal. JMP's headquarter is located at Village Bhasanda, Mohanlal Ganj, Lucknow, Uttar Pradesh, with manufacturing facility also located in Mohan Lal Ganj, Lucknow, offering a combined grinding capacity of 995 MT/day.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	533.95	490.83	239.93
PBILDT	14.42	14.64	NA
PAT	4.88	4.00	NA
Overall gearing (times)	0.59	0.77	NA
Interest coverage (times)	3.04	3.53	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	31-03-2027	5.80	CARE BBB-; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	93.70	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	0.50	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		TYPE	Amount Out-standing (₹ 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/ ST-Working Capital Limits	LT / ST	93.70	CARE BBB-; Stable / CARE A3	-	-	-	-
2	Fund-based - LT-Term Loan	LT	5.80	CARE BBB-; Stable	-	-	-	-
3	Non-fund-based - LT/ ST-BG/LC	LT / ST	0.50	CARE BBB-; Stable / CARE A3	-	-	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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