

## J.V Agro Exports

December 10, 2018

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	9.95	<b>CARE B+; Stable</b> (Single B Plus; Outlook: Stable)	<b>Assigned</b>
<b>Total Facilities</b>	<b>9.95</b> <b>(Rupees Nine crore and Ninety Five Lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of J.V. Agro Exports (JVA) is constrained by stabilisation risk associated with newly setup debt funded green field project. The rating is also constrained by raw material price fluctuation risk, firm's presence in highly competitive and fragmented nature of industry and partnership nature of constitution. The rating, however, derives strength from experienced partners and locational advantages.

Going forward, the ability of the firm to execute the project on time and to achieve envisaged sales of its products at projected sales price would remain its key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### ***Stabilisation risk associated with newly setup debt funded green field project***

As on September 11, 2018, full cost of Rs.11.50 crore has been incurred towards the project, however, the commercial operations of the unit are expected to commence from October 01, 2018. Thus, post project implementation risk is associated in the form of stabilization of the manufacturing facilities to achieve the envisaged scale of business at projected profitability margins in the light of competitive nature of industry. Further, during the initial phases of operations, the capital structure of the firm is expected to remain leveraged characterized by high overall gearing due to debt funded capex and low capital base.

##### ***Susceptibility to fluctuation in raw material prices and monsoon dependent operations***

Agro-based industry is characterized by its seasonality, as it is dependent on the availability of raw materials, which further varies with different harvesting periods. Availability and prices of agro commodities are highly dependent on the climatic conditions. Adverse climatic conditions can affect their availability and leads to volatility in raw material prices. Also, there is a long time lag between raw material procurement and liquidation of inventory, the firm is exposed to the risk of adverse price movement resulting in lower realization than expected.

##### ***Fragmented nature of industry coupled with high level of government regulation***

The commodity nature of the product makes the industry highly fragmented with numerous players operating in the unorganized sector with very less product differentiation. There are several small scale operators which are not into end-to-end processing of rice from paddy, instead they merely complete a small fraction of processing and dispose-off semi-processed rice to other big rice millers for further processing. Furthermore, the raw material (paddy) prices are regulated by government to safeguard the interest of farmers, which in turn limits the bargaining power of the rice millers.

##### ***Partnership nature of constitution***

JVA's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners.

### Key Rating Strengths

#### ***Experienced partners***

JVA is currently being managed by Mr. Deepak Goel and Mr. Sahil Kadyan. Mr. Deepak Goel has an industry experience of one decade through his association with other group concerns and other regional entities. Furthermore, the partners are supported by experienced team having varied experience in the field of marketing and finance aspects of business.

#### ***Location advantages***

JVA will be engaged in processing of paddy and will also be engaged in grading, sorting & packaging of rice. The firm's processing facility is situated at District Karnal, Haryana which is one of the hubs of processing of paddy in India. The firm benefits from the location advantage in terms of easy accessibility to large customer base. Additionally, various raw materials required is readily available owing to established supplier base in the same location as well

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

[CARE's policy on default recognition](#)

**About the firm**

J.V. Agro Exports (JVA) was established as a partnership firm in December 2017 by Mr. Deepak Goel and Mr. Sahil Kadyan. JVA is established with an aim to set up a manufacturing facility at District Karnal, Haryana for processing of paddy with an installed capacity of processing 72,000 tonne of paddy per annum and 42,000 tonne of grading, sorting and packaging of rice per annum as on September 12, 2018. The project is expected to be fully completed by September 2018. And the commercial operations of the unit are expected to commence from October 01, 2018. Besides this, one of the partner is also engaged in another group concerns namely New Goel Pesticides & Fertilizers and Real Agro Foods.

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

**Any other information:** Not Applicable

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

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

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Jan, 2025	7.45	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	2.50	CARE B+; Stable

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	7.45	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	2.50	CARE B+; Stable	-	-	-	-

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