

Jupiter Rice Mill

March 06, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	7.27	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; Issuer Not Cooperating*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) Issuer Not Cooperating based on best available information
Short-term Bank Facilities	0.14	CARE A4; ISSUER NOT COOPERATING* (A Four; Issuer Not Cooperating)	Issuer Not Cooperating based on best available information
Total	7.41 (Rupees Seven crore and Forty One lakh only)		

*Details of facilities in annexure -1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Jupiter Rice Mill to monitor the rating vide letters/e-mails communications dated Dec.13, 2019, Dec.20, 2019, Dec.27, 2019, March 02, 2020 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at fair ratings. The rating of Jupiter Rice Mill's bank facilities will now be denoted as '**CARE B; Stable/CARE A4 ISSUER NOT COOPERATING***'. Further the banker could not be contacted.

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

The rating assigned to the bank facility of Jupiter Rice Mill is constrained by its constitution as a partnership nature of constitution, highly fragmented, competitive and cyclical industry, volatility in profit margins subject to government regulations and raw material price fluctuations, working capital intensive nature of operation. However, the aforesaid

constraints are partially offset by its experienced partners with long track record, proximity to paddy growing areas, stable demand for the product.

Detailed description of the key rating drivers

Key Rating Weaknesses

Partnership nature of constitution

JRM, being a partnership firm, is exposed to inherent risk of partners' capital being withdrawn at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the proprietor. Furthermore, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

Highly fragmented, competitive and cyclical industry

Burdwan and nearby area of West Bengal has many rice mills. The high fragmentation and competitive nature of industry due to low entry barriers and presence of a large number of players in the organized and unorganized sector puts pressure on the profitability margins.

Volatility in profit margins subject to government regulations and raw material price fluctuations

JRM is into processing and milling of rice from paddy. The raw material cost forms over 80% of the total cost during FY18 for the firm. The Government of India (GoI), every year decides a minimum support price (MSP - to be paid to paddy growers) for paddy which limits the bargaining power of rice millers over the farmers. The sale of rice in the open market is also regulated by the government. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profitability margins are highly vulnerable. Such a situation does not augur well for the firm, especially in times of high paddy cultivation.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; based on best available information

Working capital intensive nature of operation

Paddy, the main raw material for JRM is available at reasonable prices during crop season, from October to January. Owing to the seasonality of rice harvest, the business requires maintaining higher raw material inventory. Accordingly, the working capital intensity remains high. Efficient management of working capital requirement is a key rating sensitivity. Also, paddy cultivation is highly dependent on monsoon, thus exposing the fate of the firm's operation to vagaries of nature. The average utilisation during last 12 months ended Feb 2019 was 90%.

Key Rating Strengths

Experienced partners with long track record

JRM is currently managed by Mr. Tapan Kumar Nandi, partner, along with other seven partners and a team of experienced personnel. The partners are having over a decade of experience in similar line of business. The firm started operation from 2001, thus having over a decade of operational track record.

Proximity to paddy growing areas

JRM's plant is located at Kandorsona in Shaktigarh of Burdwan district of West Bengal, which is a major paddy growing area of the country. Hence, JRM's presence in the paddy growing region results in benefits derived from a lower logistic expenditure (both on transportation and storage), easy availability and procurement of raw materials at effective prices.

Stable demand for the product

Rice is one of the major food grains in India and it is considered as the most widely consumed staple food grain across the country. Accordingly the demand prospect of rice is expected to remain stable throughout the year due to dependence of the majority of Indian population on rice.

Analytical approach: Standalone

Applicability criteria:

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

[Rating methodology-Manufacturing Companies](#)

[Criteria on assigning 'outlook' and 'credit watch'](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

About the Entity

West Bengal based Jupiter Rice Mill (JRM) was established in 2001 as a partnership firm. The firm has installed a rice milling unit at Kandorsona in Shaktigarh of Burdwan district with an install capacity of 60,000 MTPA. JRM sells finished rice, broken rice, rice bran to the local dealers and distributors.

The day-to-day affairs of the firm are looked after by Mr. Tapan Kumar Nandi, Partner, along with other seven partners and a team of experienced personnel.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	44.40	46.51
PBILDT	1.47	1.50
PAT	0.32	0.42
Overall gearing (times)	1.24	0.91
Interest coverage (times)	2.72	3.11

Status of non-cooperation with previous CRA: Not applicable.

Any other information: Not Applicable.

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

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-Cash Credit	-	-	-	7.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	Mar.2020	0.27	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.14	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	7.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	1)CARE B+; Stable (01-Apr-19)	-	-	-
2.	Fund-based - LT-Term Loan	LT	0.27	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	1)CARE B+; Stable (01-Apr-19)	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.14	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (01-Apr-19)	-	-	-

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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