



Press Release

Jalaram Agriexports Private Limited
July 11, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	1.15	IVR BBB- (IVR Triple B Minus)	Assigned
Short Term Bank Facilities	26.50	IVR A3 (IVR A Three)	Assigned
Total	27.65		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Jalaram Agriexports Pvt Ltd derives comfort from its experienced promoters, established clientele and supplier base and Gradual improvement in capital structure and debt protection metrics. The rating also considers thin profit margins, susceptibility of margins to movement in price of seeds with exposure to agro-climatic risk and intense competition in food processing industry, exposure to foreign exchange risk and exposure to government policies.

Key Rating Sensitivities

Upward Rating Factors

- Substantial and sustained growth in operating income and profitability on a sustained basis
- Sustenance of the capital structure and improvement in debt protection metrics marked
- Improvement in working capital utilisation with utilisation of average bank borrowing

Downward factor:

- Moderation in operating income and/or profitability impacting the cash accruals and debt protection metrics
- Any stretch in working capital cycle driven by pile-up of inventory or stretched receivables or sizeable unplanned capital expenditure affecting the financial risk profile, particularly liquidity.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Experienced promoters**

The promoter, Mr Vinaykantbhai H. Kotecha has been associated with the business since inception and Mr. HirenKumar V. Kotecha has over 22 years of experience in handling the business. Extensive experience of the promoter underpins the business risk profile of the company and supports it to develop established relationship with its customers. Further, the promoters are well supported by an experienced team of professionals. Such a long presence in the industry has helped the company to establish strong relationships with several UAE, Saudi Arabia, Afganistan, Ukraine, etc. based companies.

- **Established clientele and supplier base**

The company has been able to develop established relationship with its clients and suppliers. The top nine clients accounted for ~42% of total sales in FY20 indicating a diversified customer profile. Moreover, the company also has a wide supplier base with top 10 suppliers accounting for ~27% of raw material purchases in FY20.

- **Gradual improvement in capital structure and debt protection metrics**

The capital structure of the company witnessed gradual improvement as on the account closing dates of the past three fiscals ended on FY20 (Provisional) backed by steady accretion of profit to net worth during the aforesaid period with minimal debt level. The overall gearing remained adequate at 1.00x as on March 31, 2020 improved from 1.70x as on March 31, 2019. Further, total indebtedness of the firm as reflected by TOL/TNW remained stable and comfortable at 1.79x as on March 31, 2020 improved from 2.93x as on March 31, 2019. The debt protection metrics of the company also remained comfortable as witnessed by the interest coverage and long term debt to GCA which stood at 3.48x and 0.11x as on March 31, 2020. Infomerics expects that the financial risk profile of the company will continue to remain satisfactory in the near term.



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Key Weaknesses

- **Thin Profit Margins**

Operating in a highly competitive industry the profit margins continues to remain thin marked by EBITDA margin of 1.74% and PAT margin of 2.02% respectively in FY20 (Provisional). Revenue from foreign currency exchange gains worth Rs. 4.60 crore led to higher PAT margin in FY20 (provisional).

- **Susceptibility of margins to movement in price of seeds with exposure to agro-climatic risk and intense competition in Food Processing Industry**

The raw materials (seeds) which consist of major portion of the total sales are susceptible to fluctuations in production due to vagaries of nature. Moreover, the food processing industry is highly competitive and fragmented with presence of numerous small and medium sized players along with established players as well as low value additive nature of the work limits the profitability of the company.

- **Exposure to foreign exchange risk**

As exports constitute a significant percentage of the turnover, the company remains exposed to currency fluctuations to the extent of unhedged exposure. However, it has a hedging mechanism in place to reduce any impact of fluctuation in foreign exchange rates through Export Packing Credit and Forward Cover Limits. The total unhedged exposure as on March 31, 2020 stood at Rs. 4.80 crore.

- **Exposure to government policies**

JAEPL, like other players in the agro-commodity business, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, restriction on import of pulses etc.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its minimal scheduled debt repayment obligation in the range of ~Rs.0.20 crore during FY21-22. The company earned a GCA of Rs.2.61 crore in FY19 as against its repayment obligation of Rs.0.19 crore and GCA of ~Rs.6.48 crore in FY20 (Provisional) as against its repayment obligation of Rs.0.19 crore in FY20. Also, its bank borrowing limits remained moderately utilized to the extent of ~65% during the past 12 months ended April 2020 indicating a moderate liquidity buffer.

About the Company

Jalaram Agriexports Private Limited (JAEPL) is involved in the processing and export trading of groundnut kernels seeds, sesame seeds and other seeds and agro products. Earlier, the business was conducted through a partnership firm (Jalaram Agri Exports) which was converted into a private limited company w.e.f. August 20, 2014. The company operates from Rajkot in Gujarat and has been promoted by Mr. Vinaykant Kotecha and his family members. The promoter family has more than four decades of experience in the agro commodity processing and trading business.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019 Audited	31-03-2020 Provisional
Total Operating Income	239.89	298.46
EBITDA	2.56	5.18
PAT	2.31	6.13
Total Debt	17.58	18.57
Tangible Net worth*	10.36	18.55
EBITDA Margin (%)	1.07	1.74
PAT Margin (%)	0.95	2.02
Overall Gearing Ratio (x)^	1.70	1.00

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)	Rating History for the past 3 years



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	0.50	IVR BBB-	-	-	-
2.	Term Loan	Long Term	0.65	IVR BBB-	-	-	-
3.	Packing Credit*	Short Term	24.50	IVR A3			
4.	Forward Contract	Short Term	2.00	IVR A3			

* Foreign Discounting Bill Purchase Facility of Rs. 24.50 is the sublimit of Packing Credit Facility.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	0.50	IVR BBB-
Long Term Bank Facilities- Term Loan	-	-	-	0.65	IVR BBB-
Short Term Bank Facilities- Packing Credit*	-	-	-	24.50	IVR A3
Short Term Bank Facilities- Forward Contract	-	-	-	2.00	IVR A3

*Foreign Discounting Bill Purchase Facility of Rs. 24.50 is the sublimit of Packing Credit Facility.