

Press Release

Amir Chand Jagdish Kumar (Exports) Limited

January 13, 2020

Rating

Instrument / Facility	Amount (Rs. Crore)	Current Rating	Previous Ratings	Rating Action
Long Term Fund Based Bank Facilities	69.27	IVR A- / Stable Outlook (IVR Single A Minus with Stable outlook)	IVR A- / Stable Outlook (IVR Single A Minus with Stable outlook)	Reaffirmed
Short Term Non-Fund Based Bank Facilities	755.00	IVR A2 + (IVR Single A Two Plus)	IVR A2 + (IVR Single A Two Plus)	Reaffirmed
Total	824.27 (Eight Hundred Twenty-Four crore and Twenty-Seven Lakhs)			

Details of Facilities are in Annexure 1

Detailed Rationales

- The reaffirmation of the rating to the bank facilities of Amir Chand Jagdish Kumar (Exports) Limited has continued to derive comfort from its experienced promoters and long track record of operations, locational advantage, established market position with established brand and healthy order book position indicating moderate revenue visibility.



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The rating strengths are partially offset by exposure to intense competition in domestic and export market, exposure to foreign exchange fluctuations, working capital intensive nature of operations and moderate capital structure with moderate debt protection metrics.

Upward Factors

- Improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action
- Deterioration in capital structure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record of operations

The promoters, Suri family has long standing presence in the rice industry which has helped them to build established relationship with both customers and suppliers. Mr. J. K. Suri, Chairman & Managing Director, has over five decades of experience in the field of manufacturing, marketing and trading of food grain. On the back of long-standing experience of the promoters, the company enjoys established and healthy relationships with its customers and suppliers. The company is likely to benefit from the extensive experience of its promoters going forward.

Locational advantage

ACJKEL is engaged in milling and processing of rice and has set up rice mills in Amritsar, Punjab and Safidon, Haryana. The presence in these regions gives a competitive advantage in terms of easy availability of paddy, lower freight, and favourable pricing terms.

Established market position with established brand

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The company is one of the leading suppliers of rice in Delhi, Maharashtra, Uttar Pradesh and Kerala and is also active in additional markets in North India for domestic sales. Over the years of its presence the company has developed various brands in the market, Aeroplane, World Cup, Alibaba, Palm Tree, Sophia, and Jet. Further, the company has generated ~50.54% of its operating revenue from export of basmati rice to various countries in FY20 respectively.

Healthy order book position indicating moderate revenue visibility

Company has reported pending order book of around Rs. 600 crore of orders to be completed withing next 6 months to 8 months reflecting medium to near term revenue visibility.

Key Weaknesses

Exposure to intense competition in domestic and export market

The rice milling industry and trading of rice in India is characterized by stiff competition amid presence of many organized and unorganized players. Low entry barriers coupled with low technological requirement and very less product differentiation makes the rice milling operations vulnerable and limits the pricing flexibility.

Exposure to foreign exchange fluctuations

With high export activities, the company is exposed to the risk of forex fluctuation. However, ACJKEL use proper hedging mechanism through PCFC account.

Working capital intensive nature of operations

The operations of the company are working capital intensive as reflected in operating cycle of over 6 months in the three fiscals ending in FY20. Being an agro commodity, the procurement of paddy for the entire year is seasonal and happens during the months of October-December which increases the working capital requirement. Also, basmati requires ageing to attain desired quality and ACJKEL holds the finished goods inventory for a period of at least six months. The average cash credit utilization of the company during the past 12 months ending October, 2020 remained on the higher side at ~90%. Efficient management of working capital remains a key monitorable for ACJKEL.

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Moderate capital structure with moderate debt protection metrics

The debt profile of the company is largely comprised of short-term debts. Owing to its large short-term borrowings, the overall gearing ratio of the company remained high as on the past three account closing dates. The overall gearing ratio (after considering unsecured loan of Rs. 6.65 crore as on March 31, 2019 and Rs. 6.65 crore as on March 31, 2020 respectively) from the directors as quasi equity] stood at 2.65x as on March 31, 2020 (against 2.73x as on March 31, 2019) continued to remain high. Total indebtedness of the company remained high at 3.48x as on March 31, 2020 (3.32x as on March 31, 2019).

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is adequate marked by the sufficient gross cash accruals expected to meet repayments and interest obligations. ACJKEL has working capital intensive nature of business led by the seasonal availability of commodity and processing time required to attain the final product. Average working capital utilization for the last 12 months ended at Oct-2020 stood at around 89.84% reflecting marginal cushion to meet incremental requirements. Further, current ratio of the company stood at 1.24x as on March 31, 2020 imparting comfort for meeting its near-term liabilities.

About the Company

Established in 1969 by Suri family, ACJK was initially constituted as a proprietorship concern 'M/s Amir Chand Jagdish Kumar'. Thereafter, the promoters moved to Delhi, in 1988 and set up a partnership concern which was subsequently converted into a proprietorship entity and then

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gradually into a Limited Company - Amir Chand Jagdish Kumar Exports Limited (ACJKEL) in August, 2003. The Company is engaged in milling and processing of rice and has set up rice milling facilities in Punjab, Haryana and Delhi. ACJKEL is a two-star trading house recognized by the Government of India and is one of the leading exporters of basmati and non-basmati rice based in North India. Over the years of its presence the company has developed various brands in the market; Aeroplane, World Cup, Alibaba, Palm Tree, Sophia, and Jet.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	1487.73	1221.66
EBITDA	110.16	70.26
PAT	13.02	12.28
Total Debt	633.63	647.41
Tangible Net worth	225.14	237.35
EBITDA Margin (%)	7.40	5.75
PAT Margin (%)	0.87	1.00
Overall Gearing Ratio (x)	2.73	2.65

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by Acuite Ratings and Research, vide press release dated January 09, 2020 due to non-availability of information.

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		
		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	60.00	IVR A- / Stable Outlook	IVR A- / Stable Outlook (December 06, 2019)	-	-

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		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
2.	Term Loan	Long Term	2.10	IVR A- / Stable Outlook	IVR A- / Stable Outlook (December 06, 2019)	-	-
3.	ECB	Long Term	7.17	IVR A- / Stable Outlook	IVR A- / Stable Outlook (December 06, 2019)	-	-
4.	FBP	Short Term	100.00	IVR A2+	IVR A2+ (December 06, 2019)	-	-
5.	PC/PCFC	Short Term	455.00	IVR A2+	IVR A2+ (December 06, 2019)	-	-
6.	Standby Export Limit	Short Term	110.00	IVR A2+	IVR A2+ (December 06, 2019)	-	-
7.	Bank Guarantee	Short Term	90.00	IVR A2+	IVR A2+ (December 06, 2019)	-	-

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	-	-	Revolving	60.00	IVR A- / Stable Outlook
Long Term Bank Facilities- Term Loan	-	-	February, 2025	2.10	IVR A- / Stable Outlook
Long Term Bank Facilities- ECB	-	-	Sep, 2021	7.17	IVR A- / Stable Outlook



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Short Term Bank Facilities- Stand by Export Limit	-	-	Revolving	110.00	IVR A2+
Short Term Bank Facilities- FBP	-	-	Revolving	100.00	IVR A2+
Short Term Bank Facilities- PC/PCFC	-	-	Revolving	455.00	IVR A2+
Short Term Bank Facilities- BG	-	-	Revolving	90.00	IVR A2+