



Press Release

Rajganga Agro Product Private Limited

July 24, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	12.00	IVR BB+/ Stable (IVR double B plus with stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	31.98	IVR A4+ (IVR A four plus)	-	Assigned	Simple
Total	43.98 (INR forty-three crore ninety- eight lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Rajganga Agro Product Private Limited (RAPPL) derives strength from experienced promoters, improvement in topline with a secure revenue pipeline, comfortable capital structure, healthy coverage indicators, and dominant position in global psyllium market and strategic location advantage. However, these ratings strengths are constrained by the facts that RAPPL has thin profit margins, challenges associated with psyllium processing, and profits are susceptible to volatile raw material prices.

Key Rating Sensitivities:

Upward Factors

- Sustained increase in scale of operations
- Sustained increase in profit margins

Downward Factors

- Any adverse change in the regulatory environment
- Deterioration in capital structure



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters**

The company benefits from the leadership of two experienced directors. Mr. Sandeep Kumar, who holds an MBA degree, and brings a quarter-century of experience to his role. Mr. Sunil Kumar also holds an MBA degree and boasts over two decades of experience in the industry.

- **Improvement in topline with a secure revenue pipeline**

RAPL's FY24(Provisional) (refers to the period 1st April 2023 to 31st March 2024) performance demonstrates growth momentum. Total operating income reached Rs. 162.42 crore, reflecting a significant 46.77% increase compared to FY23 (refers to the period 1st April 2022 to 31st March 2023). This growth is primarily driven by the order received from Proctor and Gamble (P&G). The company has an unexecuted order book of INR 106.67 crore as on 29th February 2024 which is to be executed during FY24-25 (refers to the period 1st April 2024 to 31st March 2025). Along with it the company also received a one-time order of INR 45.00 Cr which is to be executed by 31st March 2025.

- **Comfortable capital structure**

The adjusted TNW (including quasi equity) of the company stood at INR 15.13 Cr as on March 31, 2024 (P), compared to INR 13.29 Cr as on March 31, 2023, witnessing a significant growth consistently on the back of increasing profit. Moreover, total debt of the company decreased from INR 18.56 Cr as on 31st March 2023 to INR 16.41 Cr on 31st March 2024 (P) on account of repayment of term loans. Consequently, the adjusted overall gearing ratio improved from 1.40x as on 31st March 2023 to 1.09x as on 31st March 2024 (P). Furthermore, overall indebtedness of the company marked by adjusted TOL/TNW has improved and stood at 1.09x as in 31st March 2024 (P) against 1.41x as in 31st March 2023.



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- **Healthy coverage indicators**

The interest coverage ratio indicator stood comfortable and witnessed an improvement from 1.44x during FY23 to 1.59x during FY24 (P) driven by increase in EBITDA (from INR 5.61 Cr during FY23 to INR 7.89 Cr during FY24 (P)). The debt coverage indicators as depicted by Total Debt/EBITDA stood at 2.08x (3.31x in FY23) in FY24 (P). DSCR improved and stood at 1.09x in FY24 (P) (0.99 times in FY23)

- **Dominant position in global psyllium market and strategic location advantage**

India enjoys a dominant position in the global psyllium market, contributing approximately 80% of the world's psyllium supply. Within India, Rajasthan and Gujarat are the leading producers of psyllium products. RAPL's manufacturing plant in Jodhpur, Rajasthan, strategically benefits from this location advantage. The proximity to raw material sources translates to cost-efficiencies in terms of acquisition, transportation, and storage.

Key Rating Weaknesses

- **Thin profit margins**

RAPL's core business activity of grading and blending psyllium seeds involves minimal value addition. This translates to a competitive industry environment characterized by thin profit margins. This is evident in the company's profitability metrics. Although the EBITDA margin improved slightly from 5.07% during FY23 to 5.15% during FY24 it continues to remain thin. The primary driver of such thin margins appears to be rising selling expenses, particularly those related to freight charges. Similarly, the PAT margin has experienced an improvement, rising from 0.64% in FY23 to 1.23% in FY24, however, it still continues to remain thin.

- **Challenges associated with psyllium processing**

Operating in the psyllium seed processing industry exposes RAPL to inherent challenges. The agricultural commodity market experiences price fluctuations due to factors such as production yield, overall demand, and weather variations.



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Consequently, RAPL's profitability is susceptible to these price movements. Furthermore, the industry presents low barriers to entry due to minimal capital investment and technological requirements. This translates to a highly competitive landscape with limited pricing power for individual players. Additionally, the industry is subject to a significant degree of government control, encompassing both procurement and sales of agricultural commodities.

- **Profits are susceptible to volatile raw material prices**

RAPL's profitability is susceptible to fluctuations in the price of psyllium seeds, a key raw material constituting around 80-90% of the company's Total Operating Income (TOI) over the past three financial years. This volatility stems from the volatile nature of agricultural commodity prices, which are influenced by factors such as production yield, overall demand, and weather conditions. Furthermore, RAPL's reliance on export sales, accounting for approximately 60-65% of its TOI, exposes the company to foreign exchange rate fluctuations.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector/Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity profile of RAPL is expected to remain adequate, marked by its expected cash accruals of around ~Rs.2.83 crore to ~Rs.3.61 crore during FY25-27 with no debt repayment in each of these years. However, the average working capital utilisation was high at around 86% during the last 12 months ending Feb 2024.



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About the Company

Rajganga Agro Product Private Limited was promoted by Sh. Sandeep Kr. & Sh. Sunil Kr. Saraogi established in 2008.

The company established a unit for manufacturing of Psyllium Husk & Powder in 2010-11 with financial assistance of Union Bank of India, at Agro Food Park, RIICO Industrial area, Boranada, Jodhpur. The company has started its commercial production from 14-05-2011 and in a short span has become India's one of the leading manufacturer, exporter and supplier of Psyllium products. The company has been certified by BRC food with GRADE AA. It is US FDA approved and a Government of India recognized Two Star Export House. Their product is being supplied to companies worldwide as a health supplement and in powder form to the food and bakery industry to add fibre to the product. They have established good markets worldwide including USA, Europe, Gulf and Asia. In the year 2022, the company has been approved as a supplier to Procter & Gamble (P&G) manufacturing company, USA who are the largest consumer of Psyllium products in the world. 18 consignments were supplied to them in the year 2022-23 and about 48 consignments in the previous year 2023-24. In the upcoming year 2024-25 they estimate doing business of more than 60 consignments with them.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	110.66	160.59
EBITDA	5.61	7.89
PAT	0.70	1.68
Total Debt	18.56	16.41
Tangible Net Worth (Adjusted)	13.29 [^]	15.13 [^]
EBITDA Margin (%)	5.07	4.91
PAT Margin (%)	0.64	1.04
Overall Gearing Ratio (x) (Adjusted)	1.40 [^]	1.09 [^]
Interest Coverage (x)	1.44	1.59

* Classification as per Infomerics' standards.

[^] quasi equity of INR 6.99 Cr during FY23 and INR 7.15 Cr during FY24(P) has been considered

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Cash Credit	Long Term	12.00	IVR BB+/Stable	-	-	-
2.	Export Packing Credit	Short Term	16.00	IVR A4+	-	-	-
3.	FBP/FBD	Short Term	6.00	IVR A4+	-	-	-
4.	Forward Contract/Derivate Limit	Short Term	1.48	IVR A4+	-	-	-
5.	Packing Credit	Short Term	8.50	IVR A4+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	12.00	IVR BB+/ Stable
Export Packing Credit	-	-	-	-	16.00	IVR A4+
FBP/FBD	-	-	-	-	6.00	IVR A4+
Forward Contract/Derivate Limit	-	-	-	-	1.48	IVR A4+
Packing Credit	-	-	-	-	8.50	IVR A4+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Rajganga-Agro-24july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

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.