



## Press Release

### D J Agro Industrial Project Private Limited

February 15, 2022

#### Rating

Instrument/ Facility	Amount (Rs. Crores)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	83.00	IVR BB/ Stable (IVR Double B with a Stable Outlook)	Assigned	Simple
Total	83.00	INR Eighty-Three Crore Only		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The rating assigned to the bank facilities of D J Agro Industrial Project Private Limited (DJAIPPL) draws comfort from its established track record of operations under experienced promoters and government support to jute industry. However, these rating strengths are partially offset by the nascent stage of operations, commoditised nature of the product leading to limited product differentiation, further resulting in intense competition in a highly fragmented industry, profitability susceptible to volatility in the raw material prices and threat from neighbouring countries.

#### Key Rating Sensitivities

##### Upward Factors

- Sustained improvement in the revenue thereby leading to improvement of profitability and debt protection parameters
- Further improvement in the capital structure with improvement in overall gearing to below 1.5x
- Sustained improvement in working capital cycle leading to further improvement in liquidity

##### Downward Factors

- More than expected moderation in scale of operations thereby leading to deterioration in profitability
- Deterioration of overall gearing to over 2.5x and /or deterioration in interest coverage to below 2x.
- Moderation in liquidity position with deterioration in operating cycle



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive experience of promoters**

D J Agro Industrial Project Private Limited (DJAIPPL) is a private sector operating jute mill, engaged in manufacturing of jute bags from raw jute. The promoters have extensive experience of about three decades in jute industry. This has enabled the company to maintain established relationships with key customers, leading to repeat orders from clients and uninterrupted raw material sourcing arrangements with suppliers. Mr. Dipjyoti Mahanta with three decades of experience in jute industry, looks after the day-to-day activities of the company. The other directors, Mr. Guneswar Dutta and Mrs. Mili Mahanta has more than two decades of experience in similar line of business and looks after the overall management of the company, with adequate support from a team of experienced personnel.

- **Government support to jute industry**

The jute sector occupies an important place in the Indian economy (particularly Eastern India) in terms of providing employment opportunities to large labor force and export revenue generation. To promote the jute industry, government of India (GoI) has extended the mandatory packaging of food grains and sugar products in jute bags during every jute year (pertains to period from July 1 to June 30) to the tune of 100% and 20% respectively. The government also provides various welfare schemes for jute workers and resolving the problem of jute producers and increasing productivity and export of jute. Additionally, with the view to protect Indian jute industry, the government has imposed Anti-Dumping Duty on import of jute goods from Bangladesh and Nepal. Jute, being a strong, versatile, eco-friendly & highly spinnable fiber, is likely to attract more attention of the user industries in the long-term due to concerns over usage of synthetic products.

#### Key Rating Weaknesses

- **Nascent stage of operation**

Being started its commercial production from March 15, 2021 the company is in nascent stage of its operation.

- **Profitability susceptible to volatility in raw material prices**

Raw jute, the basic raw material comprises the major cost in the cost component for the company. The price of raw-jute is volatile in nature due to agro-commodity nature of the



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product, leading to susceptibility in the profitability margin due to fluctuation in prices of raw material.

- **Commoditized nature of product leads to limited product differentiation, resulting in intense competition in a highly fragmented industry**

Jute is a commoditised product with low product differentiation. This results in intense competition in a fragmented industry structure, with a large presence of organised and unorganised players, restricting pricing flexibility, which limits scope for margin expansion.

- **Threat From neighboring countries**

There has been a rising concern in the Indian Jute Industry due to dumping and illegal Import of Jute Products from countries like Bangladesh and Nepal, by misusing the South Asian Free Trade Area (SAFTA) treaty which in turn is hurting Indian farmers and jute mills. Under SAFTA treaty jute goods from Bangladesh and Nepal flow freely into India without any duty. The imports are happening on the strength of an earlier exemption given to some jute mills in Bangladesh by the Indian authorities against anti-dumping duty (ADD) and circumvention duty (CVD), Surprisingly, the exports from these mills to India far exceed their manufacturing capacity. Since the Indian government's imposition of anti-dumping duty in January 2017, the Bangladesh government's subsidy has been increased to nullify any hurdle to their trade. The jute industry in India was forced to file for circumvention duty when importers in India began to import sacking cloth instead of sacking bags, to evade anti-dumping duty (ADD) from that time onwards.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

**Liquidity Position:** Adequate

The liquidity position of the company appears to be adequate backed by high demand of jute bags and its satisfactory performance in 9MFY22 with a topline of ~Rs.60 crore. The company is expected to achieve adequate gross cash accruals in the range of ~Rs.8.8-13.4 crore vis-à-vis its term debt repayment obligation of ~Rs.3.3-5.9 crore during FY22-24. Further, the bank limit remained utilised at around ~80% during the last twelve months ended 31st December, 2021, indicating an adequate liquidity buffer.



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### About the Company

D J Agro Industrial Project Private Limited (DJAIPPL) incorporated in 2012, is engaged in manufacturing of jute bags from raw jute. The company has started its commercial production from 15th March, 2021 with factory premises located at Mandakata, North Guwahati, Assam, with an installed capacity of 50 Metric Ton Per Day.

### Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021	9MFY22
	<b>Audited</b>	<b>Audited</b>	
Total Operating Income	0.00	2.05	60.12
EBITDA	-0.02	0.31	13.46
PAT	0.03	0.09	7.85
Total Debt	5.05	71.98	-
Tangible Net worth	19.62	35.12	-
Adjusted Tangible Net worth	19.62	35.12	-
EBITDA Margin (%)	-	15.26	22.39
PAT Margin (%)	69.48	4.15	13.08
Overall Gearing Ratio (x)	0.26	2.05	1.74
Current Ratio (x)	1.83	1.42	-

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: NIL**

**Any other information: Nil**

### Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	44.00	IVR BB/ Stable (IVR Double B with a Stable Outlook)	-	-	-
2.	Cash Credit	Long Term	30.00	IVR BB/ Stable (IVR Double B with a Stable Outlook)	-	-	-
3.	Proposed	Long Term	9.00	IVR BB/ Stable (IVR Double B with a Stable Outlook)	-	-	-



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### Name and Contact Details of the Rating Analyst:

Name: Mr. Riddham Agarwal	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: <a href="mailto:riddham.agarwal@infomerics.com">riddham.agarwal@infomerics.com</a>	Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>

### 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 – Term Loan	-	-	Sept 2028	44.00	IVR BB/ Stable
Long Term Bank Facilities – Cash Credit	-	-	-	30.00	IVR BB/ Stable
Long Term Bank Facilities- Proposed	-	-	-	9.00	IVR BB/ Stable
<b>Total</b>				<b>83.00</b>	



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**Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/DJ-Agro-lenders-feb22.pdf>

**Annexure 3: List of companies considered for Consolidated Analysis:** Not Applicable

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**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](http://www.infomerics.com).

