Press Release

D J Agro Industrial Private Limited

September 21, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	91.77	IVR B+/ Stable (IVR B plus with Stable outlook)	Rating revised from IVR B+/ Negative ISSUER NOT COOPERATING* (IVR B plus with Negative Outlook Issuer Not Cooperating) and removed from Issuer Not Cooperating category	Simple
Total	**91.77 (INR Ninety one crore and seventy seven lakh only)**			

**Issuer did not cooperate; based on best available information*

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics had moved the ratings of D J Agro Industrial Project Private Limited (DJAIPL) into Issuer Not Cooperating category vide it press release dated March 27, 2023, due to non-submission of information required for detailed review of the company. However, the Company has started cooperating and submitted required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and revised the ratings.

The revision in the ratings assigned to the bank facilities of D J Agro Industrial Project Private Limited (DJAIPL) is on account of improvement in its scale of operation. Further, the rating continues to derive strength from extensive experience of promoters and government support to jute industry. However, these rating strengths remains constrained due to its moderate scale of operation and low profits, leveraged capital structure and moderate debt protection metrices, profitability susceptible to volatility in raw material prices, commoditized nature of product leads to limited product differentiation, and threat from neighbouring countries.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Improvement in the capital structure and debt protection metrics.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Moderation in the capital structure and debt protection metrics.
- Any significant increase in working capital and liquidity requirement.

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.

Improvement in its scale of operation

The total operating income of D J Agro Industrial Projects Private Limited (DJAIPPL) have witnessed a year-on-year growth of ~14% in FY23 driven by an increase in the sales volume. It has generated total operating income of Rs. 112.64 crore and Rs. 128.17 crore in FY22 and FY23 (P) respectively.

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

Moderate scale of operation and low profits

Though the company has witnessed a year-on-year growth of ~14% in FY23, the scale of operation continues to remain moderate. It has generated total operating income of Rs. 112.64 crore and Rs. 128.17 crore in FY22 and FY23 (P) respectively. However, the EBITDA on an absolute basis has declined from Rs. 13.95 crore in FY22 to Rs. 11.42 crore in FY23 (P) since the EBIDTA in FY23 includes abnormal stock profit. Consequently, the PAT declined from Rs. 0.23 crore in FY22 to Rs. -5.03 crore in FY23 (P). It has generated GCA of Rs. 6.30 crore in FY22 and Rs.1.43 crore in FY23 (P).

Leveraged capital structure and moderate debt protection metrices

The capital structure of the company had remained leveraged with its low net worth base and high reliance on external debt. The debt profile of the company consists of term loan, GECL and cash credit facility. The total debt of the company has increased from Rs. 71.98 crore as on March 31, 2021, to Rs 87.56 crore as on March 31, 2022, and Rs. 93.32 crore as on March 31, 2023 (Provisional). The Company’s tangible net worth stood at Rs.35.12 crore as on March 31, 2021, Rs. 42.52 crore as on March 31, 2022, and Rs. 37.83 crore as on March 31, 2023 (Provisional), witnessing a moderation in FY23(P) due the accumulation of losses. Consequently, the overall gearing witnessed a moderation from 2.06 times as on March 31, 2022, to 2.47 times as on March 31, 2023. Further, overall indebtedness of the company marked by TOL/TNW has moderated from 2.21 times as on March 31, 2022, to 2.77 times as on March 31, 2023 (Provisional). The interest coverage ratio witnessed a moderation from 1.83 times in FY22 to 1.14 times in FY23 (P) driven by higher interest cost along with moderation in the absolute EBITDA respectively in FY23 (P). DSCR stood comfortable at 1.14 times in FY23 (P).

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 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 commoditized product with low product differentiation. This results in intense competition in a fragmented industry structure, with a large presence of organized and unorganized players, restricting pricing flexibility, which limits scope for margin expansion.

Threat From neighbouring 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)]

[Criteria for assigning rating outlook]

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals to meet the term debt repayment in the period FY24-FY26. Average working capital utilisation remained high at 90% during last 12 months ending on August 30, 2023, which imparts moderate liquidity buffer. The current ratio remained at 1.57 times as on March 31, 2023. The company has generated cash flow from operation of Rs. 0.85 crore in FY23.

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	31.03.2022	31.03.2023
	Audited	Provisional
Total Income	112.70	128.19
EBIDTA	13.95	11.42
PAT	0.23	-5.03
Total Debt	87.56	93.32
Tangible Net Worth	42.52	37.83
EBDITA Margin (%)	12.39	8.91
PAT Margin (%)	0.21	-3.92
Overall Gearing Ratio (x)	2.06	2.47
Interest Coverage Ratio (X)	1.83	1.14

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Care Ratings continues to maintain the rating of D J Agro Industrial Project Private Limited in the Issuer Not-Cooperating category as the issuer failed to provide for monitoring of the rating before the due date despite repeated follow ups as per the Press Release dated April 14, 2023.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current Rating	Date(s) & Rating(s) assigned in 2022-23 March 27, 2023	Date(s) & Rating(s) assigned in 2021-22 February 15, 2022	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	39.27	IVR B+/ Stable	IVR B+/ Negative ISSUER NOT COOPERATING*	IVR BB/ Stable	-
2.	Cash Credit	Long Term	34.50	IVR B+/ Stable	IVR B+/ Negative ISSUER NOT COOPERATING*	IVR BB/ Stable	-
3.	GECL	Long Term	18.00	IVR B+/ Stable	IVR B+/ Negative ISSUER NOT COOPERATING*	IVR BB/ Stable	-

*Issuer did not cooperate; based on best available information

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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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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
Term Loan 1	-	-	September 2028	26.88	IVR B+/ Stable
Term Loan 2	-	-	March 2028	12.39	IVR B+/ Stable
GECL 1	-	-	March 2028	15.21	IVR B+/ Stable
GECL 2	-	-	March 2028	2.79	IVR B+/ Stable
Cash Credit	-	-	-	34.50	IVR B+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-DJ-sep23.pdf

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.