



Press Release

Jalaram Agriexports Limited (JAEL) **(Erstwhile Jalaram Agriexports Private Limited)**

May 10th, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	07.22	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	38.60	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Bank Facilities	23.50	IVR A3 (IVR A Three)	Assigned	Simple
Total	69.32	(Rupees Sixty - Nine Crore and Thirty - Two lakh Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Jalaram Agriexports Limited (JAEL) draw comfort from established track record of its promoters, established clientele with supplier base and moderate debt coverage indicators. However, these rating strengths are partially offset by its thin profit margins, moderately leveraged capital structure, exposure to foreign exchange risk and Government policies.

Key Rating Sensitivities:

Upward 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 by improvement in coverage and gearing ratios.



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Downward Factors

- 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.

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. Hiren Kumar 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. The company is also targeting to expand their network to developed nations like USA and UK with the help of their extensive experience and knowledge of the industry.

Established clientele and supplier base

The company has been able to develop established relationship with its clients and suppliers. The top five clients accounted for 13.38% of total sales in FY24 indicating a diversified customer profile. Moreover, the company also has a wide supplier base with top five suppliers constitute 17.22% of total raw material purchases. The extensive experience of the promoters has helped them in maintaining long term relationship with their buyers and suppliers.



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Moderate debt coverage indicators albeit moderately leveraged capital structure:

The capital structure remained moderate as on March 31, 2023. The long-term debt to equity and overall gearing stood at 0.49x and 1.99x respectively as on March 31, 2023 as against 0.54x and 1.92x respectively as on March 31, 2022. The indebtedness of the company as reflected by TOL/TNW deteriorated from 2.72x as on March 31, 2022, to 3.30x as on March 31, 2023 due to increase in bank borrowing of the company. Interest coverage ratio improved to 2.22x in FY23 as against 1.04x in FY22 with the increase in the operating Income of the company. Long term debt to GCA improved from 3.28 times in FY22 to 2.38 times in FY23 due to increase in GCA.

Key Rating Weaknesses

Thin Profit Margins

The business of the company is characterised with low profit margin. Profit margins of the company though remained low, however witnessed an upward movement marked by EBIDTA margin of 1.77% in FY23 (FY22; 0.88%) primarily on account of decline in raw-material prices. With increase in total operating income, absolute PBT and PAT has also increased to Rs 4.50 crore and Rs 3.27 crore in FY23 from Rs 3.91 crore and Rs 2.83 crore respectively in FY22.

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 forward cover limit. The total unhedged exposure as on 31st Dec'23 stood at 8,98,933 USD.

Exposure to the Government policies

JAEL, 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 certain agricultural commodities etc. However, the same is partially offset, as the company is dealing in diverse commodities.

Analytical Approach: Standalone.



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Applicable Criteria:

[Rating Methodology for manufacturing Company](#)

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

[Criteria on assigning rating outlook](#)

[Policy of default recognition](#)

Liquidity – Adequate

The liquidity of the company is adequate marked by expectation of sufficient cushion in cash accruals against debt repayments. The unencumbered cash and bank balance as on 31st Mar'23 is Rs. 2.87 crore and GCA as on 31st Mar'23 is Rs. 4.99 cr. The current ratio of the entity stood at 1.22x as on March 31, 2023. JAPL's operating cycle remained stable at 45 days in FY23.

About the Company

Jalaram Agriexports Limited is engaged in processing and export trading of groundnut kernels, sesame seeds, whole spices more than other 35+ 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 was converted into Public Limited Company on 29-Jul-2021.

Financials (Standalone):

(Rs. Crore)

For the year ended*/ As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	247.76	330.63
EBITDA	2.18	5.84
PAT	2.83	3.27
Total Debt	40.77	48.89
Tangible Net Worth	21.24	24.51
<u>Ratios</u>		
EBITDA Margin (%)	0.88	1.77
PAT Margin (%)	1.12	0.98
Overall Gearing Ratio (x) (including quasi-equity)	1.92	1.99

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None



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Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	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
					August 11 th , 2023	June 26 th , 2023	April 19, 2022	Oct 05, 2021
1.	Long Term Bank Facility	Long Term	7.22	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB+ / Negative ; ISSUER NOT COOPERATING*	IVR BBB-/Stable	IVR BB+/INC
2.	Short Term Bank Facility	Short Term	38.60	IVR A3	IVR A3	IVR A4+; ISSUER NOT COOPERATING*	IVR A3	IVR A4+(INC)
3.	Short Term Bank Facility	Short Term	23.50	IVR A3	--	--	--	--

Name and Contact Details of the Rating Analyst:

Name: Jalaj Srivastava

Tel: (079) 40393043

Email: jalaj.srivastava@infomerics.com

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.



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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 (INR Crore)	Rating Assigned/ Outlook
Term loan	-	-	Sept 2027	2.37	IVR BBB-/ Stable
GECL	-	-	Dec 2024	0.77	IVR BBB-/ Stable
GECL 1.0	-	-	Dec 2026	4.08	IVR BBB-/ Stable
Packing credit	-	-	-	37.00	IVR A3
Enhanced Packing credit	-	-	-	23.00	IVR A3
Forward Contract	-	-	-	1.60	IVR A3
Enhanced Forward Contract	-	-	-	0.50	IVR A3

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-JAEL-may24.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.