



Press Release

Jalaram Agriexports Limited

April 19, 2022

Ratings

Sl. No	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	11.28	IVR BBB-/Stable (IVR Triple B Minus Stable)	IVR BB+/INC (IVR Double B Plus, Issuer not cooperating)	Upgraded and removed from Issuer Not Cooperating	Simple
2.	Short Term Bank Facilities	38.60	IVR A3 (IVR A Three)	IVR A4+/INC (IVR A Four Plus, Issuer not cooperating)	Upgraded and removed from Issuer Not Cooperating	Simple
	Total	49.88	Rupees Forty Nine Crore and Eighty Eight Lakhs Only			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Jalaram Agriexports Limited continues to derive comfort from experienced promoters, established clientele and supplier base, comfortable debt protection metrics, moderate capital structure and leverage position. However, these factors are offset by thin profitability margins, Susceptibility of margins to movement in price



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of seeds with exposure to agro-climatic risk and intense competition in Food Processing Industry, 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.
- Improvement in working capital utilization with utilization of average bank borrowing.

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 in next six months with the help of their extensive experience and knowledge of the industry. The promoters have also set-up a new plant in Rajkot which leads to increase in installed capacity from 100 MT per day to 200 MT per day.



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Established clientele and supplier base

The company has been able to develop established relationship with its clients and suppliers. The top ten clients accounted for ~24% of total sales in FY21 indicating a diversified customer profile. Moreover, the company also has a wide supplier base with top 10 suppliers accounting for ~15% of raw material purchases in FY21. The extensive experience of the promoters has helped them in maintaining long term relationship with their clients.

Comfortable debt protection metrics

The debt protection metrics stood comfortable with interest coverage ratio of 2.56x, Long Term Debt/GCA of 1.13 years and DSCR of 3.30x in FY21.

Moderate capital structure and leverage position:

The capital structure of the company remained satisfactory with a tangible networth of Rs 18.41 Cr as compared Rs 14.58 Cr in FY20 mainly driven by accretion of profit to net worth. The total debt of the company has increased from Rs. 18.44 cr. in FY20 to Rs. 30.41 Cr. in FY21. It includes term loan from bank amounting to Rs. 4.17 Cr., CPLTD of Rs. 0.49 Cr. and bank borrowings in the form of packing credit amounting to Rs. 25.75 Cr. The term loan has increased in FY21 on account of sanction of new term loan for financing plant and machinery for new plant at Rajkot. The leverage ratios have increased due to additional loan taken by the company over the year. However, the ratios stood comfortable as evidenced by TOL/TNW- 3.02x, overall gearing ratio is 1.65x and Long Term Debt Equity ratio of 0.25x in FY21.

Key Rating Weaknesses

Thin Profit Margins

Operating in a highly competitive industry the profit margins continue to remain thin marked by EBITDA margin of 1.33% and PAT margin of 1.28% in FY21. Revenue from foreign currency exchange gains worth Rs. 3.13 crore led to higher PAT margin in FY21.



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Susceptibility of margins to movement in price of seeds with exposure to agro-climatic risk and intense competition in Food Processing Industry

The raw materials (seeds) which consist of major portion of the total sales are susceptible to fluctuations in production due to vagaries of nature. Moreover, the food processing industry is highly competitive and fragmented with presence of numerous small and medium sized players along with established players as well as low value additive nature of the work limits the profitability of the company.

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 Export Packing Credit and Forward Cover Limits. The total unhedged exposure as on Feb,2022 stood at ~Rs. 45.00 crore.

Exposure to government policies

JAEPL, 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 trading in diverse commodities.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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



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Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its minimal scheduled debt repayment obligation ~Rs.0.60 crore during FY21-22. The company earned a GCA of Rs. 4.12 crore in FY21 as against its repayment obligation of Rs.0.49. Also, its bank borrowing limits remained moderately utilized to the extent of ~80% during the past 12 months ended Feb 2022, the bank have also enhanced their working capital limits in FY22 indicating a moderate liquidity buffer.

About the Company

Jalaram Agriexports Private Limited (JAEPL) is involved in the processing and export trading of groundnut kernels seeds, sesame seeds and other seeds and 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 operates from Rajkot in Gujarat and has been promoted by Mr. Vinaykant Kotecha and his family members. The promoter family has more than four decades of experience in the agro commodity processing and trading business. The company have converted into Public Limited Company on 29-Jul-2021.

The Company has already its existing unit available at Anand Bazar, B/H Bus Station, Una-362560, Dist.: Gir Somnath, Gujarat-India. Looking towards the market demand of the products and the tremendous performance of the company over the years, now the company has decided to set up its another new production unit at R.K. Industrial Zone- 9, Kuvadva-Wankaner Road, Village: Ranpur, Dist: Rajkot, Gujarat-360023.

The new production line at Rajkot has started operations from March-2022 which will result in increase in production capacity from 100 MT per day to 200 MT per day.



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Financials (Standalone Basis):

(Rs. crore)

For the year ended*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	294.25	295.97
EBITDA	2.52	3.92
PAT	4.19	3.83
Total Debt	18.44	30.41
Tangible Net worth	14.58	18.41
EBITDA Margin (%)	0.86	1.33
PAT Margin (%)	1.40	1.28
Overall Gearing Ratio (x)	1.26	1.65

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Under issuer non-cooperation with ICRA ratings as per press release dated 08-Oct-2021.

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2022-2023)			Rating History for the past 3 years			
		Type	Amount (Rs. Crore)	Rating (April 19, 2022)	Date(s) & Rating(s) assigned in 2020-21 Oct 05, 2021)	Date(s) & Rating(s) assigned in 2019-20 (Jul 11, 2020)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Bank Facilities-Term Loan	Long Term	3.91	IVR BBB-/Stable	IVR BB+/INC	IVR BBB-/Stable	-	-
2	Fund Based Bank Facilities-GECL	Long Term	2.78	IVR BBB-/Stable	-	-		



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3	Fund Based Bank Facilities-GECL 1.0	Long Term	4.59	IVR BBB-/Stable	-	-		
4	Fund Based Bank Facilities-Packing Credit	Short term	37.00	IVR A3	IVR A4+(INC)	IVR A3		
5	Non-Fund Based Bank Facilities-Forward Contract	Short term	1.60	IVR A3	IVR A4+(INC)	IVR A3		

Name and Contact Details of the Rating Analyst:

Name: Ms. Navnica Mishra

Tel: (011) 24601142

Email: navnica.mishra@infomerics.com

Name: Om Prakash Jain

Tel: (011) 24601142

Email: opjain@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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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	-	-	Sep, 2027	3.91	IVR BBB-/Stable
GECL	-	-	Dec, 2024	2.78	IVR BBB-/Stable
GECL 1.0	-	-	Dec, 2026	4.59	IVR BBB-/Stable
Packing Credit	-	-	-	37.00	IVR A3
Forward Contract	-	-	-	1.60	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details

[Len-Jalaram-Apr22.pdf \(infomerics.com\)](#)

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.