



Press Release

Jalaram Agriexports Ltd. (Erstwhile Jalaram Agriexports Pvt. Ltd.)

August 11th, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	8.93	IVR BBB-/ Stable Outlook (IVR Triple B minus with Stable Outlook)	Revised and removed from Issuer Not Cooperating category	Simple
Short Term Bank Facilities	38.60	IVR A3 (IVR A Three)	Revised and removed from Issuer Not Cooperating category	Simple
Total	47.53	(Rupees Forty seven and fifty three lakh Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics had moved the ratings assigned to the bank facilities of Jalaram Agriexports Ltd. into issuer not cooperating category due to non-submission of information by the company. Now the company has duly submitted all the required information for a detailed review and Infomerics has revised & removed the rating from 'ISSUER NOT COOPERATING' category.

The revision 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, susceptibility of margins to movement in price 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:



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Upward Factors

- Substantial and sustained growth in operating income and profitability.
- Improvement in the capital structure and debt protection metrics.
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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, Afghanistan, 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. The promoters have also set-up a new plant in Rajkot which has led to increase in installed capacity from 100 MT per day to 200 MT per day.

Established clientele and supplier base



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The company has been able to develop established relationship with its clients and suppliers. The top ten clients accounted for 27.48% of total sales in FY23 indicating a diversified customer profile. Moreover, the company also has a wide supplier base with top suppliers accounting for raw material purchases. The extensive experience of the promoters has helped them in maintaining long term relationship with their clients.

Moderate debt coverage indicators albeit moderately leveraged capital structure:

The capital structure remained moderately leveraged as on March 31, 2023. The long-term debt to equity and overall gearing stood at 0.45x and 1.77x respectively as on March 31, 2023 as against 0.53x 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 3.28x as on March 31, 2023 due to increase in creditors. Interest coverage ratio improved to 1.94x in FY23(P) as against 0.90x in FY22 due to high operating profitability. Total debt to GCA improved from 11.71 years in FY22 to 8.70 years in FY23(P) due to increase in GCA.

Key Rating Weaknesses

Thin Profit Margins

The total operating income of the company registered a growth in FY23(P) by 33.55% to Rs. 333.47 Crores in FY23(P) as against Rs. 247.61 Crore in FY22. The company witnessed increase in its operating income in FY23(P) due to increase in sales volume and sales realisation of its products. EBITDA increased to Rs. 7.01 Crore in FY23(P) as against Rs. 2.02 Crore in FY22. EBITDA margin increased by 128 BPS, from 0.82% in FY22 to 2.10% in FY23(P). EBITDA margin increased due to low raw material consumption cost. With increase in total operating income, absolute PBT and PAT has also increased from Rs 3.88 crore and Rs 2.82 crore in FY22 to Rs 6.07 crore, Rs 4.49 crore respectively in FY23(P) with gross cash accruals improving from Rs 3.47 crore in FY22 to Rs. 5.24 crore in FY23(P). The PAT margin increased by 22 BPS and stood at 1.33% in FY23(P) as against 1.12% in FY22 due to improvement in EBITDA margin.



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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 which alongwith fluctuation in prices of seeds 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 31st Mar'23 stood at Rs.4.63 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 dealing in diverse commodities.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for manufacturing Company](#)

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

[Criteria on assigning rating outlook](#)

Liquidity – Adequate

The liquidity of the company is adequate marked by expectation of sufficient cushion in cash accruals against debt repayments. However, the liquidity profile is restricted due to JAPL's working capital intensive nature of operations marked by high fund-based limit utilisation at



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90.58% during the past 12 months ended June'23 and 100% non-fund based utilization. The unencumbered cash and bank balance as on 31st Mar'23 is Rs. 1.65 Crore. The Current Ratio of the entity stood at 1.20x as on March 31, 2022 and 1.26x as on March 31, 2023 (P). JAPL's operating cycle decreased from 53 days in FY22 to 45 days in FY23 due to decrease in collection period from 49 days in FY22 to 33 days in FY23 with an increase in scale of operations.

About the Company

Jalaram Agriexports Private Limited (JAEPL) is involved in the processing and export 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 was 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 set up its another new production unit. The new production line at Rajkot has started operations from March-2022 which has resulted in increase in production capacity from 100 MT per day to 200 MT per day.

Financials (Standalone):

(Rs. Crore)

For the year ended*/ As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	247.61	333.47
EBITDA	2.02	7.01



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PAT	2.82	4.49
Total Debt	40.68	45.59
Tangible Net Worth	21.24	25.72
EBITDA Margin (%)	0.82	2.10
PAT Margin (%)	1.12	1.33
Overall Gearing Ratio (x) (including quasi-equity)	1.92	1.77

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (June 26 th , 2023)	Date(s) & Rating(s) assigned in 2021-22 (April 19, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Oct 05, 2021)	Date(s) & Rating(s) assigned in 2019-20 (July 11, 2020)
1.	Long Term Bank Facility	Long Term	8.93	IVR BBB-/Stable	IVR BB+ / Negative ; ISSUER NOT COOPERATING*	IVR BBB-/Stable	IVR BB+/INC	IVR BBB-/Stable
2.	Short Term Bank Facility	Short Term	38.60	IVR A3	IVR A4+; ISSUER NOT COOPERATING*	IVR A3	IVR A4+(INC)	IVR A3

*Issuer not cooperating; 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 (INR Crore)	Rating Assigned/ Outlook
Term loan	-	-	Sept 2027	3.91	IVR BBB-/ Stable
GECL	-	-	Dec 2024	2.78	IVR BBB-/ Stable
GECL 1.0	-	-	Dec 2026	4.59	IVR BBB-/ Stable



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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

<https://www.infomerics.com/admin/prfiles/len-jalaram-aug23.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.