Rating Rationale

Amir Chand Jagdish Kumar (Exports) Limited

8 Oct 2018

Brickwork Ratings upgrades ratings for the Bank Loan Facilities amounting to Rs. 839.03 Crs of Amir Chand Jagdish Kumar (Exports) Limited

Particulars:

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	110.05	109.03	Long Term	BWR BBB+ (Pronounced BWR Triple B Plus) Outlook: Stable	BWR A- (Pronounced BWR A Minus) Outlook: Stable **(Upgrade)**
Fund Based	630	630	Short Term	BWR A2 (Pronounced BWR A Two)	BWR A2+ (Pronounced BWR A Two Plus) **(Upgrade)**
Non-Fund Based	70	100			
Total	**810.05**	**839.03**	**INR Eight Hundred Thirty Nine Crores and Three Lakhs Only**		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results up to FY18, projected financials up to FY19, publicly available information and information/clarifications provided by the company.

The rating upgrade takes into account increased revenue & profitability and overall improved financial risk profile of the company marked by higher Net worth and better coverage indicators.

The ratings continue to factor positively the experience of the promoters, operational track record of the company, established brand name 'Aeroplane', diversified customer base & geographical presence with no exposure to Iran, healthy order book position, efficient receivables management and strong distribution network. The ratings are, however, constrained on account of working capital intensive nature of operations as the company has to maintain high level of inventory, high gearing level, exposure to adverse climatic conditions and intensely competitive nature of industry.

Going forward, the ability of the company to further strengthen its capital structure, maintain receivables at the current level and improve profit margins shall remain key rating monitorable.

Key Rating Determinants:

Improved Financial Performance: ACJKEL reported ~ 10% growth in revenue during FY18, EBITDA and Net Profit also increased by 14% and 11% respectively. With retention of profits, the TNW of the company increased from Rs. 191.15 Crs as on March 31, 2017 to Rs. 211.48 Crs as on March 31, 2018. Further, with increased demand of basmati rice and improvement in the realizations, the company has reported a turnover of ~ Rs. 837 Crs during 5M FY19. BWR expects that ACJKEL will be able to surpass its projections for FY19 and close the year with total revenue in the range of Rs. 1800-2000 Crs, significantly higher than their FY18 performance.

Revenue Visibility: The company had an export order book position of Rs. 762.33 Crs as on June 30, 2018 providing sufficient revenue visibility for the year. The company exports to various countries in Middle East, Europe and Southeast Asia. Saudi Arabia constituted approx. 40% of the company's order book, followed by Indonesia with a share of 24% and Netherlands with a share of 17.5%. While, not having an exposure to Iran protects the company from global uncertainties to a certain extent, expected tightening of the pesticide residual norm by Saudi Arabia (already adopted by European Union) may have an impact on the global demand of basmati rice in the future. However, rice being a staple food in many countries across the world will continue to help in supplementing its demand.

Efficient Receivables Management: The company primarily exports against LC which helps it in managing the credit risk associated with the exports as well as timely realizations of receivables. During Q1 FY19, 95% of the company's exports were against LC. In the domestic market also, the company has set credit policies to manage receivables and working capital. ACJKEL has been able to maintain receivables at 35 days over the last year which has helped it in managing its working capital also.

Established Brand Name: The company sells its products under its own brand name of 'Aeroplane' which is one of the top basmati rice brands of the country. The brand recall of the company is strong especially in the northern side of India which primarily consumes basmati rice. In the export markets as well, the company sells under its brand name. Approx 75% of the company's revenue during FY18 was by way of branded sales.

Working Capital Nature of Business: By nature of the business, basmati rice is a working capital intensive industry. Being an agro commodity, the procurement of paddy is seasonal and happens during the months of October-December which increases the working capital requirement. Also, in order to improve the quality of the rice and attract premium pricing, basmati requires ageing. ACJKEL holds the finished goods inventory at least for a period of six months and thus, at any given point of time, it holds an inventory worth of Rs. 600-650 Crs. Going forward, as the company's scale of operations increases, the need for working capital will also increase.

Exposure to Other Industry Related Risks: Rice being an agro commodity is exposed to adverse conditions which may impact the availability as well as quality of rice. This along with global demand lends significant volatility to the paddy prices. Over the last two years, paddy prices have seen a steady increase which has increased the cost of inventory for the company as well and any adverse movement in the paddy prices may lead to inventory losses. However, since the company's revenue is in the form of branded sales which attracts premium pricing, it will be able to manage volatility in the raw material prices to a certain extent. The industry is also exposed to any changes in the import policies of key basmati rice importers and may have an adverse impact on the overall demand leading to fall in global prices and realizations of the exporting entities.

Analytical Approach: BWR has assessed the company on a standalone basis. Please refer to the applicable criteria at the end.

Rating Outlook: Stable

BWR believes that Amir Chand Jagdish Kumar (Exports) Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company is able to show considerable improvement in revenue and profitability levels while maintaining the receivables at the current level. The rating outlook may be revised to 'Negative' if the growth in revenue & profits is lower than expectations and receivables days increase putting pressure on the working capital.

About the Company:

Amir Chand Jagdish Kumar (Exports) Ltd (ACJKEL) was incorporated in 2003 at New Delhi after taking over the business of M/s Amir Chand Jagdish Kumar (a 25 year old partnership concern). An ISO 9001:2000 company, ACJEKL was promoted by Mr. J.K. Suri and his son Mr. Rahul Suri. The company is engaged in the milling, processing and export of basmati rice. ACJKEL sells its products under its own brand "Aeroplane" as well as under private labels for some of its international customers. The company procures paddy from local mandis through commission agents mainly from Punjab and Haryana. It has three processing units located at Amritsar (Punjab), Safidon (Haryana) and Delhi. Combining all the three plants, ACJKEL has a capacity to process 371313 MT of rice.

In the domestic market, the products are sold through a network of 500 distributors. In the international market, the products are sold through commission agents. The company exports to both Government as well as Private Entities.

Company's Financial Performance:

During Q1 FY19 (on a provisional basis), the company reported a revenue of Rs. 521.54 Crs with an EBITDA of Rs. 31.57 Crs. The revenue has further increased to Rs. 837 Crs for 5M FY19. Key financial indicators for FY17 and FY18 are given in the table below:

Key Financial Indicators			
Particulars	**Unit**	**FY17 (A)**	**FY18 (A)**
Operating Income	Rs. Crores	1178.07	1287.12
EBITDA	Rs. Crores	66.77	76.26
PAT	Rs. Crores	15.22	16.92
Tangible Networth	Rs. Crores	191.15	211.48
Total Debt	Rs. Crores	483.13	636.41
Total Debt : Equity	Times	2.53	3.01
Current Ratio	Times	1.21	1.20

Rating History for the last three years:

Sl. No.	Facility	Type	Amount (Rs Crs)	Current Rating (Oct 2018)	Rating History		
Fund Based		**Type**	**Amount (Rs Crs)**	**2018**	**2017**	**2016**	**2015**
1.	Term Loan (ECB)	Long Term	14.03	BWR A-	BWR BBB+	BWR BBB	NA
2.	Cash Credit		95.00				
3.	PCL/PCFC	Short Term	530.00	BWR A2+	BWR A2	BWR A3+	NA
4.	FBN/FBP		100.00				
Non-Fund Based							
1.	Letter of Credit	Short Term	100.00	BWR A2+	BWR A2	BWR A3+	NA
Total			**839.03**	**INR Eight Hundred Thirty Nine Crores and Three Lakhs Only**			

Status of Non-Cooperation with Other CRAs: NA
Any Other Information: NA

Hyperlink/Reference to Applicable Criteria:

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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