Press Release
Jagatjit Industries Limited
August 20, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE BB- | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-

Rating Rationale
Acuité has reaffirmed the long-term rating to **'ACUITE BB-' (read as ACUITE double B Minus)** on the Rs. 200 Cr. bank facilities of Jagatjit Industries Limited (JIL). The outlook is **'Stable'**.

Rationale for Rating
The rating reaffirmation takes into account Q1FY2025 performance of JIL. Revenue of the company stood improved in Q1FY2025 on a quarter basis as it recorded revenue of Rs.153.65 Cr. in Q1FY2025 as against Rs.174.11 Cr. in Q1FY2024. The operating margin declined as it stood at 0.11 percent in Q1FY2025 as against 2.72 percent in Q1FY2024 due to reduction in rental income which commands better margin. The rating continues to derive support from established presence in the domestic market, relationships with reputed clientele, and moderate financial risk profile. However, the rating is constrained on account of Intense competition and highly regulated nature of liquor industry and susceptibility to the profit due to the raw material's prices. Going forward, the company's operating performance in the near term and its impact on the overall financial risk profile will remain a key rating monitor.

About the Company
Jagatjit Industries Limited (JIL) was incorporated in 1944 in the state of Punjab by Mr. L.P. Jaiswal under the name of Jagatjit Distilling and Allied Industries Limited, Subsequently the name was changed to the present one. JIL is engaged in manufacturing, distributing and selling Indian Made Foreign Liquor (IMFL), Country Liquor (CL), Malted Milk Food (MMF) & Malt Extract (MEX) and managing of owned Real Estate assets. JIL sells country liquor in Punjab,

has 40 IMFL brands selling across 17 States and 2 Union Territories in domestic market, and 13 countries including U.S.A., Italy and U.A.E, to name a few. Further, JIL leases out owned 2.11 LPSF area to tenants and manufactures intermediates for products manufactured by HUL

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of JIL to arrive at this rating. Further, Acuité has also considered the presence of DSRA (Debt Service Reserve Account) and escrow mechanism with a well-defined waterfall mechanism, as specified in the loan sanction letter while arriving at the rating.

Key Rating Drivers

Strengths

Steady scale of operations

The operating income of the company is generated through 3 Divisions namely: 1) Food

Division; 2) Liquor Division; 3) Rental Division. JIL reported operating income of Rs. 557.45 Cr. in FY2024 as against Rs. 507.49 Cr. in FY2023. The company has recorded revenue of Rs.153.65 Cr. in Q1FY2025 as against Rs.174.11 Cr. in Q1FY2024. The operating margin of the company increased to 3.47 % in FY2024 as compared to 1.86 % in FY2023. In Q1FY2025, the operating margin has declined to 0.11 percent as against 2.72 percent in Q1FY2024 due to reduction in rental income which commands better margin. Further, PAT margin stood at 1.74 % in FY2024 as against 1.70 % in FY2023. The ROCE levels stood at 11.37 % in FY2024 as against 14.31 % in FY2023.

Established presence in the domestic market:
JIL is managed by Mr. Ravi Manchanda (Managing Director), Mr. Deepankar Barat (President) along with Mr. Anil Vanjani (CEO & CFO) and Ms. Roshni Jaiswal (Promoter Family). Ms. Roshni Jaiswal belongs to a business family, which has been in the AlcoBev industry for over seven decades. The promoters are very resourceful and have supported the entity with the funding as and when required. The seven-decade track record of operations in the AlcoBev and Food industry has helped JIL establish presence with entities like HUL and a geographic presence across 17 States and 2 Union Territories in domestic market, and 13 countries including U.S.A., Italy and U.A.E, to name a few.

Moderate Financial Risk Profile
The financial risk profile of the company is marked by improving net worth, high gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs. 75.23 Cr. as on FY2024 as compared to Rs. 62.28 Cr. as on FY2023 due to accretion to reserves. The gearing of the company stood high at 3.59 times as on FY2024. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) has stood at 7.13 times as on FY2024. The debt protection metrices of the company remain moderate marked by Interest coverage ratio (ICR) of 1.75 times and debt service coverage ratio (DSCR) of 1.19 times for FY2024. The net cash accruals to total debt (NCA/TD) stood healthy at 0.07 times in FY2023.
Going forward, Acuité believes that the financial risk profile will remain moderate over the medium term, supported by steady accrual, moderate capital structure and debt protection metrices.

Weaknesses

Intense competition and highly regulated nature of liquor industry:
JIL revenues will continue to be impacted by increasing competition in the domestic IMFL market from global players as well as regional players. In addition, The Indian alcohol industry is highly regulated at almost every stage in the value chain. Furthermore, every state has its set of regulations with respect to distribution and retail channels, registration, taxation, and pricing of alcohol, ban on advertising, raw material availability, varying tax structures in different states pose challenges and restrict the industry's growth. The industry is also administered through a strict license regime. Different licenses are mandated at stages of production and distribution, including separate ones for manufacturers, distributors, and retailers. Any adverse change in the government's license authorisation policy, such as discontinuation or caps on renewal of licenses or sharp hike in license fees, could affect the entity.

Susceptibility to the profit due to the Raw Material's Prices
JIL is into the business which requires raw material like barley. Raw material being Agri commodity is susceptible to price volatility as can be seen from the past trends. The price of the raw material has been impacted in the FY 2024 which as a result declined the EBITDA margins for the period. The company would have incurred net losses had it not been the case that the company recovered substantial number of provisions made for doubtful debts and non- active creditors. The company has mitigated the price difference by negotiating the price revision with HUL however the volatility in RM price and company's ability to pass it on to end customer in a timely manner remains a key monitorable.

Rating Sensitivities

- Improvement in profitability position.

- Improvement in debt protection matrices.
- Improvement in working capital cycle
- Any deterioration in operating performance resulting into losses

Liquidity Position

Adequate

The company has adequate liquidity marked by net cash accruals of Rs. 19.46 Cr. as on FY2024 as against debt obligation of Rs. 12.27 Cr. over the same period. The cash and bank balance stood at Rs. 31.90 Cr. for FY 2023. Further, the current ratio of the company stood at 0.75 times in FY2023. The working capital cycle of the company is marked by Gross Current Assets (GCA) of 107 days for FY2024 as compared to 72 days for FY2023. The bank limit of the company has been ~65.79 percent utilized for the last six months ended in March 2024. The management has financial flexibility to bring in the funds in the business. As on March 31, 2023, the unsecured loan in the business were at Rs. 29.96 Cr. Also, the company is maintaining a DSRA of Rs. 7.50 Cr equivalent to 1 quarter of interest & principal repayment obligations in the form of fixed deposit. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of steady cash accruals, term debt repayments and financial flexibility of promoters to bring in funds in business over the medium term.

Outlook: Stable

Acuité believes that JIL will maintain a 'Stable' outlook in the near to medium term on account of its established track record supported by extensive experience of the promoters of the entity and its diversified revenue profile. The outlook may be revised to 'Positive' if the entity registers higher-than expected growth in revenues, profitability margins and net cash accruals while improving its debt protection metrics and financial risk profile. The outlook may be revised to 'Negative' in case the entity registers substantial decline in revenues, or profitability margins or if the financial risk profile deteriorates due to higher than expected working capital requirements resulting in deterioration of the capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	557.45	507.49
PAT	Rs. Cr.	9.71	8.61
PAT Margin	(%)	1.74	1.70
Total Debt/Tangible Net Worth	Times	3.59	3.55
PBDIT/Interest	Times	1.75	1.61

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Apr 2024	Term Loan	Long Term	200.00	ACUITE BB- | Stable (Reaffirmed)
25 Jan 2023	Term Loan	Long Term	200.00	ACUITE BB- | Stable (Upgraded from ACUITE B+ | Stable)
06 Jan 2023	Term Loan	Long Term	200.00	ACUITE B+ | Stable (Downgraded from ACUITE BB- | Stable)
11 Oct 2021	Term Loan	Long Term	200.00	ACUITE BB- | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	01 Dec 2018	Not avl. / Not appl.	30 Jun 2034	Simple	200.00	ACUITE BB- | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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