



Press Release
JAGATJIT INDUSTRIES LIMITED
February 25, 2025
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	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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 reflects slight decline in scale of operations as the company has earned revenues(gross) of Rs.491.72 crore for 9MFY2025 compared to Rs.545.97 crore for 9MFY2024. Segment wise the company has witnessed reduced income from beverage, food and real estate business for 9MFY2025. EBITDA (both absolute and margin) has declined due to delay in the excise duty implementation and rise in raw material prices for liquor coupled with decline in operating income. Higher interest cost due to loans taken for setting up 200KLPD (Kilo Liters Per Day) ethanol plant has also impacted the PAT levels turning into negative Rs.16.45 crore for 9MFY2025 (Rs.7.51 crore for 9MFY2024).

However, JIL expects to generate additional revenues with the augmentation of ethanol plant in April 2025. The planned sale of the Gurugram property (comprising of approximately 2,00,000 Sq. Ft., spread over 4 acres of land.), anticipated to yield Rs. 90 Cr. would be utilized towards debt repayment of the LRD facility, and which will enhance liquidity and reduce the high gearing ratio of the Company.

Acuite believes that the company's liquidity profile which remains stretched, is expected to improve slightly, supported by positive cash accruals from asset monetization over the near to medium term, converting army tender offers for sale of its own malted food brand "Smart Milk, and commencement of ethanol plant. The rating continues to remain constrained by weak financial risk profile and intense competition and highly regulated nature of liquor industry, which is its major line of business.

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) (74% of revenues in FY2024), Malted Milk Food (MMF) & Malt Extract (MEX) (24% of revenues in FY2024) and managing of owned Real Estate assets (2% of revenues in FY2024). The Company's primary focus is in the business of manufacturing, distributing and selling of IMFL brands, under the brand name "Aristocrat".

The Company has a food division with its own malt house, malt extract plant and a malted milk food manufacturing unit. The malted milk food division (MMF) has four units of tray drying and one unit of spray drying with a total manufacturing capacity of 100 MT per day of high-quality malted milk food as of 31st March, 2024.

JIL has various real estate properties. Out of these properties, two main properties, one in Gurugram and other in

New Delhi, have been leased out to earn rental income as on 31st March,2024. Its Gurugram property, comprising of approximately 2,00,000 Sq. Ft., spread over 4 acres of land is due for sale by March/April 2025. The property at Connaught Place, New Delhi, comprises of two floors at Ashoka Estate measuring approximately 23,000 Sq. Ft area and are currently on lease from which the company earns lease rental income.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of JIL to arrive at this rating.

Key Rating Drivers

Strengths

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.

Steady scale of operations albeit decline in profitability

JIL reported operating income of Rs. 556.93 Cr. in FY2024 as against Rs. 510.85 Cr. in FY2023. The operating margin of the company increased to 4.17 % in FY2024 as compared to 2.47 % in FY2023. However, the company has recorded revenue (gross) of Rs.160.13 Cr. in Q3FY2025 as against Rs.192.84 Cr. in Q3FY2024. The company has stopped its job works for HUL for Malted Milk Food used for the production of health drinks, due to low demand of those products. The operating margin declined due to delayed excise policy implementation resulting a change in pricing of the Company's products. There were delays in states of Punjab and Telangana where JIL has majority of its alcobev sales. Raw materials like Barley/Nakku/Husk/etc have highly fluctuating prices and over the last 2 quarters prices have increased which has affected their margins. Further, PAT margin stood at 1.70 % in FY2024 as against 1.80 % in FY2023.

The PAT for 9MFY2025 stood at negative Rs.16.45 crore compared to Rs.7.51 crore for 9MFY2024.

The company expects that the operating performance of the company would improve with the with the onset of ethanol plant.

Efficient working capital cycle

JIL has working capital requirements as evident from gross current assets (GCA) of 107 days in FY2024 as compared to 67 days in FY2023. Higher GCA days are on account of high cash and bank balance and other current assets in the form of advance to suppliers as on 31st March 2024. Debtor days increased to 24 days in FY2024 as against 20 days in FY2023. Inventory days increased to 43 days in FY2024 as against 32 days in FY2023. Credit terms with suppliers usually range between 60 to 70 days. The bank limit utilization stood at ~75% for 12 months in FY2024. Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Weaknesses

Weak Financial Risk Profile

The financial risk profile of the company is marked by moderate net worth, high gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs. 84.78 Cr. as on FY2024 as compared to Rs.62.43 Cr. as on FY2023 due to accretion to reserves. The adjusted gearing of the company stood high at 2.83 times as on FY2024. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) has stood at 6.21 times as on FY2024. This is expected to reduce in the medium term due to expected proceeds from sale of Gurugram property and earnings from ethanol plant, to be used for paying LRD loan. The debt protection metrics of the company remain moderate marked by Interest coverage ratio (ICR) of 1.74 times and debt service coverage ratio (DSCR) of 1.18 times for FY2024. The net cash accruals to total debt (NCA/TD) stood at 0.07 times in FY2024. Going forward, Acuité believes that the financial risk profile will improve slightly over the medium term, supported by steady accrual, reduction in debt and better debt protection metrics.

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.

Rating Sensitivities

- Commencement and stabilization of production of 200KLPD ethanol plant
- Movement of revenues and profitability
- Timely execution and receipt of proceeds from property sale at Gurugram
- Occupancy levels of real estates on lease

Liquidity Position Stretched

The company previously had adequate liquidity marked by net cash accruals of Rs. 19.23 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 2024. However QoQ losses in FY2025 has deteriorated the liquidity profile of the company. Further, the current ratio of the company stood at 0.79 times in FY2024. The management has financial flexibility to bring in funds into the business and Rs.9.55 crore is treated as quasi equity which includes loans from promoters/directors as company will not repay the same until the entire IREDA loan has been paid in full. 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 for LRD loan.

Acuité believes that the liquidity of the company is likely to improve 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. JIL expects to improve its liquidity as on 31st March, 2025 via expected sale of property in Gurugram and increase in revenue from start of operations of the ethanol plant which will remain a key monitorable.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	556.93	510.85
PAT	Rs. Cr.	9.48	9.19
PAT Margin	(%)	1.70	1.80
Total Debt/Tangible Net Worth	Times	3.07	3.54
PBDIT/Interest	Times	1.74	1.63

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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. Acuité'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
25 Nov 2024	Term Loan	Long Term	200.00	ACUITE BB- Stable (Reaffirmed)
20 Aug 2024	Term Loan	Long Term	200.00	ACUITE BB- Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	38.00	Simple	ACUITE BB- Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	01 Dec 2018	Not avl. / Not appl.	30 Jun 2034	162.00	Simple	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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