

Vijai Shree Private Limited

December 17, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	30.00 (Reduced from 33.00)	CARE BBB; Stable	Reaffirmed
Long-term / Short-term bank facilities	13.00	CARE BBB; Stable / CARE A3+	Assigned
Long-term / Short-term bank facilities	3.00	CARE BBB; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	3.47	CARE A3+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Vijai Shree Private Limited (VSPL) take into account the satisfactory financial performance of the group (group refers to both VSPL and Bowreah Jute Mills Private Limited (BJMPL)) in FY24 (refers to the period April 1 to March 31) and H1FY25 marked by satisfactory operating margin.

The ratings further draw comfort from its experienced promoters with long & satisfactory track record of operations, satisfactory capital structure and debt protection metrics, regular infusion of funds by the promoters to support the operations of the group and low counterparty payment risk with majority of sales done to Government entities.

The ratings are, however, constrained by the group's dependence on vagaries of nature exposing it to raw material price volatility and availability risk, working capital and labour-intensive operations, regulatory nature of the industry and stiff competition.

Furthermore, CARE Ratings Limited (CARE Ratings) has withdrawn the ratings assigned to one of the lenders for term loan facility sanctioned to the company on receipt of No dues certificate from the lender.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in capital structure with overall gearing below 0.60x.
- Sustained growth in revenue over Rs.900 crore and improvement in PBILDT margin over 10% on a sustained basis.

Negative factors

- Deterioration in capital structure with overall gearing beyond 1.40x.
- Decline in the PBILDT margin below 7% on a sustained basis.

Analytical approach: Combined.

CARE Ratings has changed the analytical approach from Standalone to Combined on account of cross guarantees given by both the entities (VSPL and BJMPL) to each other for the working capital facilities availed. For arriving at its ratings, CARE has combined the business and financial profiles of VSPL and BJMPL as both the companies are in same line of business under common management and have operational and financial synergies.

Outlook: Stable

Stable outlook reflects that the group is likely to maintain its market position which shall enable it to sustain healthy business risk profile over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long and satisfactory track record

Mr Bhagwan Das Gupta has over three decades of experience in the jute industry and was closely associated with Late Mr Arun Bajoria in managing the day-to-day operations of Vijai Shree Private Ltd (VSPL; rated CARE BBB; Stable/CARE A3). His son, Mr Raghavendra Gupta, started to look after the affairs of VSPL under the guidance of Late Mr Bajoria and his father, Mr Bhagwan

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Das Gupta. This apart, Gupta family also manages Hooghly Infrastructure Private Ltd. (HIPL; rated CARE A; Stable/CARE A1) and Calcutta Jute Mfg. Co. Ltd.

Support from promoter group

The promoter group, in the past, have infused funds at regular intervals to support the operations and modernization programme of the BJMPL and VSPL. The group has outstanding Rs.40.00 crore in the form of Non-Convertible Debentures (NCD) invested by group company; HIPL as on March 31, 2024. Further, on a combined level, the companies have also availed unsecured loans from group companies which has an outstanding balance of Rs.44.62 crore as on March 31, 2024.

Relatively low counter-party payment risk

The group's major customers in the domestic market are Director General of Supplies & Disposals (DGS&D) and Food Corporation of India (FCI), etc., with assured steady stream of revenue. On a combined level, supplies to government institutions account for approximately 72%-83% of net sales value during the last few years (FY20-FY24). The balance comprises sales to various other parties which are either made through agents or directly only to such parties who either have a strong credit profile or are having very long-term business association with the group. Accordingly, risk of default arising on account of non-payment remains relatively low.

Stable financial performance in FY24 and H1FY25

On a combined basis, TOI of the group has moderated from Rs.917.22 crore in FY23 to Rs.771.78 crore in FY24 mainly on account of decline in realisation of both hessian and sacking bags. However, PBILDT margin witnessed improvement from 7.24% in FY23 to 9.27% in FY24 on account of higher reduction in raw material cost as compared to decline in realisation and also better absorption of fixed costs with increased volumes. With increase in operating margin, PAT margin has also witnessed improvement from 3.42% in FY23 to 4.74% in FY24.

In H1FY25, the revenue from operations declined to Rs.308.20 crore (from Rs.399.61 crore in H1FY24) despite increase in realisation for sacking bags, on account of decline in volume. The Government orders for jute bags had been slow in H1FY25 leading to decline in sales volume for the group. However, in H2FY25, the government orders are expected to pick up which would lead to increase in revenue. The operating margin stood at 10.89% in H1FY25 as compared to 6.17% in H1FY24.

Going forward, though the revenue is expected to decline due to reduced orders from Government this year and decline in realisation, however, the performance is expected to remain satisfactory.

On a standalone level, VSPL's TOI has moderated from Rs.222.50 crore in FY23 to Rs.164.13 crore in FY24 mainly on account of decline in sales volume.

Despite slight reduction in realisation, PBILDT margin witnessed improvement from 5.11% in FY23 to 8.41% in FY24. The improvement in profitability margin has been on account of higher reduction in raw material cost as compared to decline in realisation and also on account of better absorption of fixed costs. Further, the company wrote back provision for gratuity amounting to Rs.4.12 crore in FY24 which led to increased PAT margin from 3.66% in FY23 to 8.49% in FY24.

Satisfactory capital structure and debt protection metrics

The capital structure of the group on a combined basis has improved marked by improvement in overall gearing from 1.19x as on March 31, 2023, to 1.08x as on March 31, 2024, on account of accretion of profit to reserve.

The debt protection metrics have slightly moderated marked by moderation in TDGCA from 3.79x as on March 31, 2023, to 4.02x as on March 31, 2024, due to increase in total debt. Interest coverage have also moderated from 5.46x in FY23 to 4.84x in FY24 with increased interest costs; however, it continues to remain satisfactory.

On a standalone level, the capital structure of the VSPL has improved marked by improvement in overall gearing from 0.77x as on March 31, 2023, to 0.60x as on March 31, 2024, on account of accretion of profit to reserve. The debt protection metrics stood satisfactory marked by improvement in TDGCA from 3.73x as on March 31, 2023, to 2.33x as on March 31, 2024, with increased GCA.

Key weaknesses

Dependence on vagaries of nature exposing the company to raw material price volatility risk

The group procures raw jute domestically as well as through import from Bangladesh (imports were around 29% of total raw material purchases in FY24 as against 15% in FY23). However, the group does not have any long-term contract with the suppliers and is exposed to raw material price fluctuations as it accounts in the range of 62-70% of cost of sales from FY21-FY24. The availability and prices of raw jute, being an agricultural product, are dependent on the vagaries of nature and crop economics. Any adverse weather condition or flood may lead to crop failure/lower production may impact the procurement cost. However, the impact of raw material price fluctuation on profitability is limited to an extent of three months (from the date of order) as Government takes into account three months weighted average prices of raw jute while calculating the rate for procuring jute bags.

Regulatory nature of the industry

Jute industry is highly regulated as government determines the 1) Minimum support prices of jute crops for each crop year 2) Average raw material pricing for government orders and 3) Custom duty, taxes, etc. on jute and related products. Lack of control in the hands of the manufacturers exposes them to a regulatory risk. Whenever the market price of raw jute falls below a certain level, the Jute Corporation of India (JCI) procures raw jute at MSP, fixed on the basis of recommendation of the Commission for Agricultural Cost and Prices (CACP), from jute growers to safeguard their interest. The Jute Packaging Material (Compulsory use in Packaging Commodities) Act (JPMA), 1987 mandates the use of jute bags for 100% of food grains and 20% of sugar for the Jute Year 2024-25 (1st July 2024 to 30th June 2025).

Working capital and labour-intensive nature of operation

The group's operation is working capital intensive in nature due to the seasonal nature of the product. During the harvesting season the group needs to have an ample stock of raw materials. Once harvested, the raw materials are stored for later use increasing the inventory period. A standard credit period needs to be provided to its customers in view of the general practice in the industry, but labour needs to be paid immediately (which is a high-cost component in jute manufacturing companies) thereby increasing working capital needs.

The operating cycle stood at 119 days in FY24 as against 78 days in FY23. The average inventory days increased from 71 days in FY23 to 99 days in FY24 while the average collection period increased from 18 days in FY23 to 28 days in FY24. The jute industry is a labour-intensive industry and faces challenges of skilled labour, absenteeism and strikes. The group's employee expense accounted for around 18% to 22% of cost of sales during FY21-FY24. However, the group manages the issues well and had not faced any adverse situation due to labour.

Stiff competition

The industry faces stiff competition from Bangladesh on account of relatively better quality of raw jute, lower wages and substantial government assistance in terms of subsidy. It is also facing competition from cheaper plastics. However, with steady demand from the government and limited supply, the prospects of the jute industry look stable.

Liquidity: Adequate

Liquidity has been marked adequate with the group earning GCA of Rs.49.86 crore vis-à-vis debt repayment obligations of Rs.6.24 crore in FY24. The average utilization of the working capital facilities stood low below 20% during the last 12 months period ended August 2024, which is supported by above unity current ratio. In FY25, the group is expected to generate sufficient cash accruals against debt repayment obligation of around Rs.9.00 crore.

Furthermore, the group has free cash and bank balance of Rs.7.36 crore as on March 31, 2024, (excluding investments in mutual funds and equity shares) providing financial flexibility.

Apart from the above Rs.7.36 crore, the group has non-current investments (including strategic investments) amounting to Rs.11.77 crore as on March 31, 2024, (vis-à-vis Rs. 10.44 crore as on March 31, 2023) in quoted share, unquoted share and alternative investments.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Jute & Jute Products

VSPL, incorporated in 1980 by the Bangur group in Howrah, West Bengal, is engaged in manufacturing of hessian cloth, sacking cloth, hessian bag, sacking bag, jute yarn multiple, etc with an aggregate installed capacity of 28,709 MTPA (combined capacity

with BJMPL: 1,06,005 MTPA). The mill is situated in 2.83 lakh square feet comprising 466 looms, 5,064 fine side spindles, 440 coarse side spindles and 80 spinning frames. In 1988, the jute mill was taken over by the late Arun Bajoria, (who owned a number of jute mills and was referred as a "Jute Baron") from the Bangar group and by the present management in 1990. Currently, the day-to-day affairs of the company are looked after by Bhagwan Das Gupta (Promoter, Executive Director) and his son Raghavendra Gupta (CEO).

The company demerged its non-current investments in various entities (book value of Rs.12.35 crore) to Ramdullari Developers Private Limited and Ramdullari Consortium Private Limited w.e.f. April 01, 2022. Approval from NCLT, Kolkata Bench was received on June 07, 2023. The demerger did not have any material impact on the credit risk profile of the company.

Brief Financials - Combined (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	H1FY25 (UA)
Total operating income	917.22	771.78	308.20
PBILDT	66.41	71.53	33.57
PAT	31.41	36.59	16.84
Overall gearing (times)	1.19	1.08	0.61
Interest coverage (times)	5.46	4.84	9.40

UA: Unaudited; Note: 'the above results are latest financial results available

*The standalone financials of BJMPL and VSPL have been combined by the CARE analytical team.

Brief Financials - Standalone (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	222.50	164.13	65.00
PBILDT	11.36	13.81	6.37
PAT	8.14	13.94	2.68
Overall gearing (times)	0.77	0.60	0.53
Interest coverage (times)	4.97	5.67	7.41

A: Audited; UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	Janaury 2027	0.00	Withdrawn
Fund-based - LT/ ST-Bank Overdraft		-	-	-	13.00	CARE BBB; Stable / CARE A3+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	3.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	3.47	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB; Stable	1)CARE BBB; Stable (06-Dec-24)	1)CARE BBB; Stable (05-Jan-24)	1)CARE BBB; Stable (05-Jan-23)	1)CARE BBB-; Stable (07-Dec-21)
2	Non-fund-based - ST-Letter of credit	ST	3.47	CARE A3+	1)CARE A3+ (06-Dec-24)	1)CARE A3+ (05-Jan-24)	1)CARE A3+ (05-Jan-23)	1)CARE A3 (07-Dec-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	3.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (06-Dec-24)	1)CARE BBB; Stable / CARE A3+ (05-Jan-24)	1)CARE BBB; Stable / CARE A3+ (05-Jan-23)	1)CARE BBB-; Stable / CARE A3 (07-Dec-21)
4	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB; Stable (06-Dec-24)	1)CARE BBB; Stable (05-Jan-24)	1)CARE BBB; Stable (05-Jan-23)	1)CARE BBB-; Stable (07-Dec-21)
5	Fund-based - LT/ ST-Bank Overdraft	LT/ST	13.00	CARE BBB; Stable / CARE A3+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Bank Overdraft	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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