Press Release

Aarryaveer Oil Industries Private Limited (AOIPL)

August 19, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Facility – Term Loan	3.89	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
2.	Long Term Fund Based Facility – Proposed CC Limit	11.11	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
	Total	**15.00**		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Aarryaveer Oil Industries Private Limited (AOIPL) derives comfort from its experienced promoters alongside experienced management team, establishing market position with steady increase in operations, locational benefits with strong procurement network and prudent working capital management.

However, the rating strengths are constrained by moderation in financial risk profile, high level of competition with low entry barriers and agro climatic and regulatory risks.

The outlook remains stable due to AOIPL's established position in the edible oil industry over the medium term, supported by its promoter's industry experience and a steady and increasing order flow from its customers.

Key Rating Sensitivities

Upward Rating Factors

- Substantial & Significant improvement in scale of operations and EBITDA margin leading to TOL/TNW reducing below 3.00x on sustained bases.

Downward Rating Factors

- Any deterioration in scale of operation and EBITDA margin leading to TOL/TNW above 4.5x.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoter & management team

The company is being managed by experienced promoters, Mr. Tulsi Mohandas Aswani has a rich experience of more than two decades and Mr Ketan Goenka, aged 25 years possess a good experience in the edible oils industry. Having operated in industry since years now, the management has established a strong network with suppliers and customers. Beside the promoters, the company has a team of experienced and capable professionals, having over two decades of experience in the segment, to look after the overall operations and day-to-day management.

Establishing market position with steady increase in operations

The Company's topline is on an increasing trend with a CAGR of ~130% within commencement of operations from 2017 in FY2020 (Provisionals). The company witnessed an increase in operating income to Rs. 197.5 Crore (FY19: Rs. 144.1 Crore, FY18: Rs. 37.2 Crore) on the back of steadily increasing orders and established presence in the regions it operates, given the promoters' strong relationships with its customers.

Location specific benefits with strong procurement network:

The company has strategically placed its plant at Samudrapur, Wardha, Nagpur in Maharashtra as the area is known as India's major Soybean belt region and has ample farming of these crops. This gives the Company an edge to procure key raw materials at economical costs. The company procures soya seeds directly from farmers and domestic market enabling the company to procure raw materials at economical costs and allows the company to build a long-term relationship with the farmers, which indirectly facilitates assured source of raw material supply during non-peak seasons.

Prudent working capital management

The company exhibits prudent working capital management as reflected by its modest inventory and controlled receivables. To fund its working capital requirement the company generates sufficient cash accruals.

Key Rating Weaknesses

Moderate Financial risk Profile

The financial risk profile of the company remained moderate over the years marked by its moderate overall gearing ratio at 0.46x as on March 31, 2020 (1.28x as on March 31, 2019) and moderate debt protection metrics. The debt protection metrics of the company deteriorated and remained moderate marked by interest coverage of 5.52x in FY2020 (FY19: 4.19x). Moreover, the total debt to GCA remained at 1.90x as on March 31, 2020 (3.65x as on March 31, 2019). The improvement during FY2020 is due to higher generation of cash accruals.

High level of competition with low entry barriers

The edible oil industry in India is characterized by intense competition and fragmentation, with the presence of a large number of edible oil refineries and low entry barriers. As a result of high competition and fragmentation, profit margins in the edible oil business tend to remain thin.

Agro climatic and regulatory Risks

AOIPL is vulnerable to agro climatic risks, considering the availability and prices of its raw materials depend on climatic conditions. The edible oils industry faces significant intervention by the government, as the nature of the product is a commodity. Hike in import duty structure by Government of India to curb cheaper edible oil imports coupled with depreciating rupee has further narrowed the profitability margins of edible oil industry.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The liquidity of the company expected to remain Adequate in the near to medium term in view of its expected sufficient cash accruals in the range of ~Rs.2-4 crore in FY21-23 in comparison to its minimal debt repayment obligation. Moreover, the liquidity is supported by its above unity current ratio at 1.18x as on March 31, 2019.

About the Company

Aarryaveer Oil Industries Private Limited (AOIPL) was incorporated in November' 2017 by Mr. Tulsi Mohandas Aswani and Mr. Ketan Goenka. The company has started its commercial operations from December 2017 onwards. AOIPL has been engaged in extraction of soya bean oil and manufacturing of soya de-oiled cakes (DOC) at its plant located at Govindpur, Tahsil Samudrapur, Wardah, Maharashtra with an installed capacity of 10,000 tons per month.

Financials: Standalone

(Rs. crore)

For the year ended/ As On	31-03-2019	31-03-2020
	(Audited)	(Provisional)
Total Operating Income	144.1	197.5
EBITDA	2.37	2.87
PAT	0.48	0.82
Total Debt	5.63	3.86
Tangible Net-worth	4.4	5.2
Ratios		
EBITDA Margin (%)	1.64	1.45
PAT Margin (%)	0.33	0.41
Overall Gearing Ratio (x)	1.28	0.46

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Cash Credit	Long Term	11.11	IVR BB+/Stable Outlook	--	--	--
2.	Term Loan	Long Term	3.89	IVR BB+/Stable Outlook	--	--	--

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.

Name and Contact Details of the Rating Team:	
Name: Shreshtha Singhvi	Name: Amit Bhuwania
Tel: (022) 62396023	Tel: (022) 62396023
Email: ssinghvi@infomerics.com	Email: abhuwania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based – Proposed Cash Credit	-	-	Revolving	11.11	IVR BB+/Stable Outlook
Long Term Fund Based - Term Loan	-	-	Upto February 2025	3.89	IVR BB+/Stable Outlook