

Press Release

Amitex Agro Product Private Limited

December 11, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based Limits – Cash Credit	11.00	IVR BB+/Positive Outlook (IVR Double B Plus with Positive Outlook)
2.	Long Term Rupee Term Loan	16.50	IVR BB+/Positive Outlook (IVR Double B Plus with Positive Outlook)
	Total	27.50	

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from experienced management and long track record of operations, reputed clientele, Diversified customer profile and geographic presence, improving operating income and EBITDA margins, and proximity of raw material. The rating however is constrained by working capital intensive operation, moderate capital structure, foreign currency fluctuation and industry susceptible to agro-climatic risks.

Key Rating Sensitivities

Upward revision factors:

Procurement of new orders providing medium to long term revenue visibility along with a substantial and sustained improvement in the revenue while maintaining the debt protection metrics and improving EBITDA margin.

Downward revision factors:

Any decline in the revenue leading to deterioration of the debt protection metrics and/or plunge in profitability of the company.

List of key rating drivers with detailed description

Key Rating Strengths

Experienced management and long track record of operations

AAPL is engaged in manufacturing of multiple soya based product. The company has an experienced management team having more than four decades of expertise in the Food and Agro based industry.

Diversified customer profile and geographic presence

The company has a client presence across different parts of Europe, Middle-East Asia and USA, thus making diversified customer portfolio which eventually helps to mitigate customer as well as geographic concentration risk.

Improvement in operating Income

The operating income of the company significantly increases to ₹50.48 crores in FY19 from Rs. 41.09 crores in FY18 which is mainly due to increase in scale of operation and increase in number of clients. Due to the start of Unit II the capacity of their plant is increased to 7 TPD which is one of the major reason behind the increased operating income

Improvement in EBITDA margin

The EBITDA margin of the company has increased to 13.36% in FY19 from 12.08% in FY18. The increase in the margin is attributed to improvement in the operating income resulted in economies of scale.

Proximity of raw material supplier

Mandya Pradesh is one of major hub of soya oil manufacturing plants. The major raw material for the company is extract recieved from the soyabean oil. The company procure the same from various soyabean oil extract industry situated in the vicinity. Thus the proximity of raw material near its manufacturing plant is an added advantage for the company in terms of transportation of raw material. Based on the requirement company also import the raw material.

Key Rating Weaknesses

Working Capital Intensive Operations

The average inventory holding period for FY19 is 102 days and collection period is 28 days. This implies working capital intensive operations where much of the inventory is locked up with the company. On average, the company takes around 32 days to pay its suppliers.

Moderate capital structure

The overall gearing ratio of the company is improving however, remained moderate as on account closing days of the last three years. It saw a marginal improvement in FY19 to 1.91x from 2.29x in FY18 because of significant increase in tangible networth from FY18 to FY19. Long term debt-equity ratio marginally improved in FY19 but it is above unity for the last three years.

Foreign Currency Fluctuation

The company receiving payment in foreign currency like Euro and Dollars making them subject to foreign susceptibility risk. But, it is also mitigated to some extent by natural hedging because they are also importing raw materials.

Industry susceptible to agro-climatic risks

The agricultural based industry is susceptible to agro climatic risks, which can affect the availability of the raw material in adverse weather conditions.

Analytical Approach & Applicable Criteria

Standalone

Rating methodology for Service sector companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity

The company's liquidity position is also modest as reflected by its around 85.67% use of the working capital limits on average during the 12 months ended October 2019. The company's GCA is also increasing on year-on-year basis to meet its repayment obligations with comfortable interest coverage ratio and DSCR.

About the Company

Amitex Agro Product Private Limited has been established on October 2016 in the state of Madhya Pradesh with a vision to manufacture high quality soya ingredients from Non-GMO Indian soybeans to cater to the needs of customers, in domestic and international markets, for applications in chocolates, baked goods, nutrition bars/cereals, nutraceutical/dietary supplements, pharmaceuticals, vegetable analogs, animal feed.

Amitex Agro Products Pvt. Ltd. is a group company of Servotech India Limited, who have more than 48 years experience in supplying turnkey projects for soya bean oil extraction plants and refineries, Lecithin Plants and De-oiled lecithin plants. Servotech Group as such was established in the year 1968. Servotech India Ltd is the Main Flagship Company in the Group. Servotech India Ltd is very well-known in executing Turnkey Projects in the field of Soybean Solvent Extraction, Edible Oil Refinery, Cattle/Poultry Feed Plants and various other Process Plants. They have more than 48 years' experience in supplying Turnkey Projects for Soyabean Oil Extraction Plants, Refineries, Lecithin plants and De-oiled Lecithin plants.

Mr. Radheshyam Lahoti, Chairman cum Managing Director is the Chief Promoter of the Group. The group specialize in executing turnkey projects, which includes complete portfolio of services right from Concept to Commissioning. The company's expanding technological base and association with industry giants have enabled to successfully install more than 400 plants across INDIA and Abroad. They were the pioneer amongst all Solvent Extraction Plant Manufacturers who has ventured into establishing a fully owned value-added Product Manufacturing Plant, using the most appropriate Technology developed in-house to suit the requirements of the industry in India.

Financials (Standalone) (Rs. crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	41.09	50.48
EBITDA	4.96	6.74
PAT	0.11	1.59
Total Debt	30.71	32.37
Tangible Networkth	13.39	16.93
EBITDA Margin (%)	12.08	13.36
PAT Margin (%)	0.26	3.06
Overall Gearing Ratio (x)	2.29	1.91

*Classification as per Infomerics' standards

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

Any other information: India Rating and Research has moved the rating of Amitex Agro Product Private Limited into the Issuer Non-Cooperating category as the company did not cooperate in the rating procedure despite repeated follow ups as per the Press Release dated October 11, 2019.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC	Long Term	11.00	IVR BB+ /Positive Outlook	--	--	--
2.	Rupee Long Term Loan	Short Term	16.50	IVR BB+ /Positive 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.

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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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	--	11.00	IVR BB+ /Positive Outlook
Term Loan	--	--	--	16.50	IVR BB+ /Positive Outlook