

Press Release**Anita Oils and Fats Pvt Ltd.****February 06, 2020****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
1	Non Fund Based Limit	46.00	IVR A4 (IVR A Four)
2	Fund Based/ Non Fund Based Limits	1.00*	IVR BB/Stable/ IVR A4 (IVR Double B with Stable Outlook/ IVR A Four)
	Total	47.00	

*Proposed cash credit of Rs.1 crore interchangeable with existing non-fund based limit

Details of Facilities are in Annexure 1**Detailed Rationale**

The ratings assigned to the bank facilities of Anita Oils and Fats Pvt Ltd (AOFPL) derives strength from its experienced management, established relationship with suppliers and customers, order backed nature of its business, promoter's support through infusion of funds and moderate debt protection metrics. The rating strengths, however, are tempered by its nascent stage of operation, thin profit margin; volatility related to foreign exchange fluctuations and highly fragmented nature of the industry with volatility related to international edible oil prices.

Key Rating Sensitivities**Upward Rating Factors**

- Growth in scale of operations and Improvement in profit margin leading to improvement in liquidity

Downward Rating Factors

- Decline in revenue and profitability on a sustained basis affecting the liquidity position
- Moderation in the capital structure or a decline in interest coverage to lower than 1.50 times on a sustained basis

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experienced management

The promoter of the company, Mr. Vikas Gupta has an experience of about 10 years in the edible oil trading industry and Ms. Suchi Bahl has an experience of over 10 years across administration, finance and operations (trading operations). The promoters are assisted by a team of professionals having relevant industry experience.

Established relationship with suppliers and customers

Although, the company has started its operation from February 2019 but the promoters have been engaged in trading of edible oils for about 10 years. Over the years, it has developed an established relationship with its customer and supplier base. Further, the other entities owned by the promoters, Smartha Enterprises Pvt Ltd (SEPL), RV Wines LLP (RV), Avyukta Agro Impex Pvt Ltd (AAIPL) and Vindeshwari Exim Pvt Ltd (VEPL) are also engaged in same line of business which drives the bargaining power of the company.

Order backed nature of business

The company generally engages in trading based on back-to-back orders from their customers and suppliers. The price is fixed before the shipment takes place. With respect to purchases, the entity opens a 180 days Letter of Credit in favour of suppliers. Meanwhile, it generally gives credit to its customers of a similar period, resulting in minimal funds being blocked in working capital.

Moderate debt protection metrics

The debt protection parameter remains moderate marked by an interest coverage ratio at 2.00x in FY19. However, the company does not have any term debt.

Promoter's support through infusion of funds

The unsecured loan from promoter and body corporate in FY19 stood at Rs. 1.86 cr. However till Dec 2019, the promoter has infused fresh unsecured loan of Rs. 19.34 crore from which Rs. 3.31 crore has been converted into equity capital and remaining Rs. 16.03 crore is treated as quasi equity as same has been subordinated by the bank.

Steady demand prospects of edible oil industry

The edible oil production in India has remained stagnant over the years, which is insufficient to fulfil the domestic requirements of edible oil. Consequently, the country's dependence on imports has increased over the years and currently around 65-70% of the domestic edible oil

requirements are met through imports. The same provides ample growth opportunities to traders like AOFPL to scale-up the business though stiff competition exists.

Key Rating Weaknesses:

Nascent stage of operation

The overall scale of operations is small in FY19 with revenues of Rs.16.85 crore as the company started its operations from February 2019. However, the company has achieved the operating revenue of Rs.71 crore till December 31, 2019 backed by healthy order flow.

Thin Profit Margins

The company is purely into trading of edible oils. With the nascent stage of operation and operating in a highly competitive industry the profit margins stood thin marked by EBITDA margin of 3.30% and PAT margin of 1.02% respectively in FY19. Thin profit margin resulted in low cash accruals for the company.

Exposure to risk of foreign exchange fluctuation

The company is exposed to risk of adverse movement in foreign exchange. The company generally imports from countries like Singapore, Malaysia & UAE while sales to counterparties in India are made on high sea basis. The company generally deals in USD with respect to purchases, whereas the sales are generally made in rupee. As the entity operates on a back to back arrangement, this risk is mitigated to a large extent. Further, the entity has obtained Forward Cover facility for about 85-90% of the exposure which also reduces the risk to some extent.

Highly fragmented industry and volatility related to international edible oil prices

The edible oil industry is highly fragmented with presence of numerous small players and low entry barriers. Moreover, palm oil prices are majorly influenced by the demand and supply situation in Indonesia and Malaysia and regulations in those countries. The company largely operates on back-to-back purchase and sales order basis; hence, mitigating the price risk to an extent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Infomerics Valuation And Rating Pvt. Ltd.



Liquidity: Adequate

The liquidity position of the company is expected to remain adequate marked by its nil debt repayment obligations and gross cash accruals in the range of Rs.1.30-2.50 crore in the next three years. Further, the company don't have any capex or debt availment plan which imparts comfort. The company generally relies on its non-fund based facility for its back to back nature of orders.

About the Company

Anita Oils and Fats Pvt Ltd (AOFPL) is engaged in the trading of edible oils (mainly crude palm oil). The company commenced operation 2019 onwards. The entity imports edible oils mainly from Singapore, Malaysia and U.A.E and facilitates high sea sales to customers like in India. The company is promoted by one Gupta family of Delhi and is presently looked after by Mr. Vikas Gupta. In addition to operating this entity, the Gupta family also operates other entities which are engaged in similar oil trading operations– Smartha Enterprises Pvt Ltd (Rated: IVR BB+/Positive, IVR A4+), RV Wines LLP (Rated: IVR BB/Stable, IVRA4), Avyukta Agro Impex Pvt Ltd (Rated: IVR BB/Stable, IVR A4) and Vindeshwari Exim Pvt Ltd (Rated: IVR BB+/Stable).

Financials (Standalone Basis)

	(Rs. crore)
For the year ended / As On	31-03-2019 (Audited)
Total Operating Income	16.85
EBITDA	0.56
PAT	0.17
Total Debt	0.00
Tangible Net worth	2.63
EBITDA Margin (%)	3.30
PAT Margin (%)	1.02
Overall Gearing Ratio (x)	0.00

Status of non-cooperation with previous CRA: Not applicable

Any other information: N.A

Rating History for last three years: Not applicable

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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
Short Term Fund based facilities- LC	NA	NA	NA	46.00	IVR A4
Proposed Fund Based/Non-Fund Based Facilities	NA	NA	NA	1.00*	IVR BB/ Stable Outlook/ IVR A4

*Proposed cash credit of Rs.1 crore interchangeable with existing non-fund based limit