

Press Release

Avyukta Agro Impex Pvt Ltd

March 17, 2020

Rating

Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned	Rating Action
Long Term/Short Term Non-Fund Based Facilities	45.00*	IVR BB+/ Stable Outlook/IVR A4+ (IVR Double B Plus with Stable Outlook/ IVR A Four Plus)	Rating upgraded from IVR BB/ Stable Outlook/IVR A4 (IVR Double B with Stable Outlook/ IVR A Four)
Total	45.00		

*enhanced from Rs.30.00 crore and includes Rs.1 crore sublimit of proposed interchangeable CC limit

Details of Facilities are in Annexure I

Detailed Rationale

The revision in the rating assigned to the bank facilities of Avyukta Agro Impex Pvt Ltd (AAIPL) factors in its satisfactory performance in FY19, which is its first full year of operation, and subsequent growth in 9MFY20. Further, the rating continues to derive comfort from its experience of the promoters, established relationship with suppliers and customers, order backed nature of business and steady demand prospects of edible oil industry. The rating also positively factor in conservative capital structure of the company. However, the rating is constrained by its small scale of operation, thin profitability due to its trading nature of operations, exposure to risk of foreign exchange fluctuation, presence in highly fragmented industry and exposure to volatility in international edible oil prices.

Key Rating Sensitivities

Upward Rating Factors

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

Downward Rating Factors

- Decline in revenue and/or profitability on a sustained basis affecting the liquidity position
- Moderation in the capital structure or a decline in interest coverage to lower than 1.00 times on a sustained basis

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Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced promoters

The promoters of the company, Mr. Varun Gupta & Mr. Somir Bhaduri have an experience of about 8 years in the edible oil trading industry. The promoters are assisted in the day-to-day operation by a team of professionals having relevant industry experience.

Established Relationship with suppliers and customers

The promoters have been engaged in trading of edible oils for about 8 years. It has developed relations with its customer and supplier base, which is expected to benefit AA IPL. Further, the other entities owned by the promoters, Vindeshwari Exim Pvt Ltd (VEPL) credit rating (IVR BB+/ Positive Outlook, IVR A4+), Smartha Enterprises Pvt Ltd (SEPL) credit rating (IVR BB+/ Positive outlook, IVR A4+) and RV Wines (IVR BB+/Stable outlook, IVR A4+) and Anita Oils and Fats Pvt Ltd (IVR BB/Stable, IVR A4) are also engaged in this line of business. The total turnover of the companies is around Rs.324 crore in FY19. Presence of many companies in the same field provides synergy benefits.

Order Backed nature of business

The entity generally engaged in trading based on back-to-back orders from their customers and suppliers. The price is fixed before the shipment takes place.

Conservative capital structure

The company has no debts on its books except subordinated unsecured loans as on March 31, 2019 indicating its conservative capital structure.

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 AA IPL to scale-up the business though stiff competition exists.

Key Rating Weaknesses

Short track record and moderate scale of operations

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The entity have effectively commenced operation only from Q4FY18, reflecting a very nascent stage of operation. In its first full year of operations in FY19, the company achieved total operating revenue of Rs.71.05 crore. Furthermore, in 9MFY20, the company has achieved operating revenue of Rs.86.71 crore.

Thin Profitability

The entity is purely into trading of edible oils. Due to limited value additions and highly competitive operating environment the profitability of the company remained thin marked by EBITDA margin of 3.55% and PAT margin of 0.85% 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. It generally import from countries like Singapore, Malaysia & UAE while sales to counterparties are made on high sea basis. As the entity operates on a back to back arrangement, this risk is mitigated to a large extent.

Highly fragmented industry and volatility in international edible oil prices

Owing to low entry barriers the edible oil trading industry is highly fragmented with presence of numerous organised and unorganised players. 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.

Liquidity

The liquidity position of the company is expected to remain adequate marked by its nil debt repayment obligations. The company generally relies on its non-fund based facility. However, the liquidity position is constrained due to its thin profitability.

About the Company

Avyukta Agro Impex Pvt Ltd (AAIPL) is engaged in the trading of edible oils (mainly crude palm oil). AAIPL was incorporated in 2008. The entity has commenced commercial operations only from Q4FY18. The entity is promoted by Mr. Varun Gupta and Mr. Somir Bhaduri.

Financials (Standalone)

(Rs. crore)

For the year ended / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	26.69	71.05
EBITDA	0.70	2.52
PAT	0.34	0.61
Total Debt	0.00	0.00
Tangible Net worth	13.30	13.87
EBITDA Margin (%)	2.62	3.55
PAT Margin (%)	1.69	0.85
Overall Gearing Ratio (x)	0.00	0.00

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: N.A

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. Crores)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2015-16
1.	Non-Fund Based Facilities	Long Term/ Short Term	45.00* (Previously Rs. 30 crore)	IVR BB+/Stable Outlook/ IVR A4+ (IVR double B Plus with Stable Outlook/IVR A Four Plus)	IVR BB/Stable Outlook/ IVR A4 (IVR double B with Stable Outlook/IVR A Four) (February 21, 2019)	IVR B+/Stable Outlook/ IVR A4 (IVR Single B Plus with Stable Outlook/IVR A Four) (April 2, 2018)	-

*enhanced from Rs.30.00 crore and includes Rs.1 crore sublimit of proposed interchangeable CC limit

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 Analyst:

Name: Mr. Karan Girdhar	Name: Mr. Avik Podder
Tel: (011) 24655636	Tel: (033) 46022266
Email: kgirdhar@infomerics.com	Email: apodder@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.

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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
Long Term/Short Term Non-Fund Based Facilities	-	-	-	45.00*	IVR BB+/Stable Outlook/ IVR A4+ (IVR double B Plus with Stable Outlook/IVR A Four Plus)

*enhanced from Rs.30.00 crore and includes Rs.1 crore sublimit of proposed interchangeable CC limit