



Press Release

Anita Oils and Fats Private Limited
March 22, 2021

Ratings

Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
Short Term Bank Facilities- Letter of Credit	47.00* (Enhanced from Rs. 46.00 crore)	IVR A4 (IVR A four)	Rating Reaffirmed to IVR A4 (IVR A Four)
Proposed Long Term Bank Facilities-Cash Credit	(0.10)#	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	Rating Reaffirmed to IVR BB with stable outlook
Total	47.00		

*Earlier Non fund based facilities were for Rs. 46.00 and proposed cash credit limit of Rs. 1.00 crore interchangeable with the non-fund based limit.

#Proposed Fund based sublimit of Rs. 0.10 crore interchangeable with the non-fund based limit.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating to the bank facilities of Anita Oils and Fats Pvt Ltd (AOFPL) have been reaffirmed taking into account experienced management, support in the form of unsecured loans, established relationship with suppliers and customers, order backed nature of business, comfortable liquidity profile and moderate debt protection metrics. The rating is partially offset by taking into account its nascent stage of operation, thin profit margins, exposure to risk of foreign exchange fluctuation and highly fragmented industry and volatility 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



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- Moderation in the capital structure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

The promoter of the company, Mr. 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 of promoter's family 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 also continues to remain moderate marked by an interest coverage ratio at 1.43x in FY20. 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 FY20 stood at Rs. 19.30 crore from which Rs. 14.23 crore has been treated as quasi equity as same has been subordinated by the bank.



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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. 103.16 crore in its full first year of operations backed by healthy order flow.

Thin Profit Margins

The company is purely into trading of edible oils. Notwithstanding the improvement over the years being a trading entity with limited value additions and operating in a highly competitive industry the profit margins continues to remain thin marked by EBITDA margin and PAT margin of 3.25% and 0.72% (PY: 3.30% and 1.02%) respectively in FY20. 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 90-95% of the exposure from the lending bank which also reduces the risk to some extent.



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Highly fragmented industry and volatility to 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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate marked by its sufficient cushion in accruals Vis -a-Vis its negligible debt repayment obligation. Further, the company has sufficient gearing headroom driven by infusion of promoters equity of Rs.14.23 crore which has been treated as quasi equity. The company generally relies on its non-fund based facility and does not utilize its fund based facility. Hence, its unutilized bank lines are also expected to support its liquidity to an extent.

About the Company

Incorporated in 2018, Anita Oils and Fats Pvt Ltd (AOFPL) is engaged in the trading of edible oils (mainly crude palm oil). The company commenced operation from February, 2019. 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. Gupta.



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Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2019*	31-03-2020
	Audited	Audited
Total Operating Income	16.85	103.16
EBITDA	0.56	3.35
PAT	0.17	0.75
Total Debt	0.00	5.07 [#]
Tangible Net worth	2.63	7.92
EBITDA Margin (%)	3.30	3.25
PAT Margin (%)	1.02	0.72
Overall Gearing Ratio (x) [^]	0.00	0.00

*The company started its operations from February 2019. Hence FY19 reflects only 2 months of business.

[#]The figure reflects the unsecured loan from the promoter.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. 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.	Letter of Credit	Short Term	47.00 [*]	IVR A4	IVR A4 (January 06, 2020)	-	-
2.	Proposed Cash Credit	Long Term	(0.10) [#]	IVR BB/ Stable Outlook	IVR BB/ Stable Outlook (January 06, 2020)	-	-

^{*}Earlier Non fund based facilities were for Rs. 46.00 and proposed cash credit limit of Rs. 1.00 crore interchangeable with the non-fund based limit.

[#]Proposed Cash Credit sublimit of Rs. 0.10 crore interchangeable with the Letter of credit 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.

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About Infomerics:

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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 Bank Facilities- Letter of Credit	-	-	-	47.00	IVR A4
Proposed Long Term Bank Facilities- Cash Credit	-	-	-	(0.10)*	IVR BB/Stable Outlook

#Proposed Cash Credit sublimit of Rs. 0.10 crore interchangeable with the Letter of credit limit.