



Press Release

A.V. Overseas

April 05, 2021

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facilities	11.39	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned
2	Short Term Bank Facilities	0.61	IVR A4 (IVR A Four)	Assigned
	Total	12.00	(Rupee Twelve Crores only)	

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of A.V. Overseas consider the common management team and operational & financial linkages between A.V. Overseas and its group concern, A.V. Agro Foods. Infomerics has taken a consolidated view of these entities referred together as A.V group. The ratings derive strength from extensive experience of the Group's partners in the rice milling industry, strategic location of plant and favourable demand of rice and rice products. However, these rating strengths remain constrained due to modest scale of operations, modest debt coverage metrics, exposure to agro-climatic risks, intense competition on account of low product differentiation and risks associated with the constitution of the firm.

Key Rating Sensitivities

Upward Factors:

- Sustained improvement in revenues and profit margins.
- Improvement in credit metrics
- Capital infusion by the promoters.

Downward Factors:

- Any significant rise in rice procurement cost or insignificant decline in revenues and profitability impacting liquidity.
- Any substantial withdrawals impacting the capital structure and coverage metrics



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Extensive experience of the partners in the rice milling industry**
A.V. Group is promoted by Punjab based one Gupta family as family managed business. The promoters have an extensive experience of about 23 years in the rice milling industry. Further, other firm promoted by the Gupta family namely M/s Shiv Shakti Rice Industries and M/s Triveni Agrotech are present in the similar line of business, i.e. rice milling.
- **Location advantage with proximity to key rice growing belt of the country**
A.V. Group's paddy processing units are located in Moga, Punjab which counts amongst the key rice growing regions of the country entailing location advantage with respect to the key raw material availability and logistics. Further, most of the customers of the group also remain in the vicinity of the processing units.
- **Favorable demand for rice and rice products**
Rice being a staple diet in the Asian region, its demand prospects remain favorable. India accounts for second largest rice producer and consumer in the world. Globally, given the spread of Indian diaspora also supports the demand for paddy and its products.

Key Rating Weakness:

- **Nascent Stage of operations, modest scale**
The operations of A.V. Group entities, A.V. Foods and A.V. Overseas are in nascent stages with A.V. Foods commencing operations in November 2019 while A.V. Overseas commencing operations in November 2018. The scale also remains modest with A.V. Foods achieving an operating income of Rs.3.47 crore in 5MFY2020 (Nov 2019 to March 2020) while A.V. Overseas clocking an income of Rs.46.26 crore in FY2020. For FY2021, A.V. Foods is expected to achieve revenues of Rs.9.00 crore while A.V. Overseas is likely to clock revenue of Rs. 51.00 crore driven mainly by volume growth.
- **Moderate capital structure and debt coverage metrics**
A.V. Foods as on March 31,2020 has reported gearing of 1.82 times (considering unsecured loans as quasi equity) while the same remained at 5.96 times as on March



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31,2020 mainly on low net worth. On a consolidated basis, the A.V. Group's overall gearing remained at 1.60 times(considering unsecured loans as quasi equity) as on March 31,2020. Interest coverage remained at 1.98 times and 1.97 times for A.V. Foods and 2.02 times and 1.38 times for A.V. Overseas for FY2020 while TD/EBIDTA remained at 6.33 times and 5.49 times respectively for A.V. Foods and A.V. Overseas as on March 31,2020. Interest coverage and TD/EBIDTA remained at 5.58 times as on March 31,2020 on a consolidated basis.

- **Working capital intensive nature of operations**

The group's operations remain working capital intensive as reflected by operating cycle of 42 days and 116 days for A.V.Foods and A.V.Overseas driven mainly by year-end inventory with limited credit period from suppliers as also to customers. On an average the group extends a credit period of 19 days to its customers while it avails a credit period of 14 days from its suppliers

- **Vulnerability to agroclimatic risks, regulatory changes and intense competition in the rice milling industry**

Paddy being an agricultural commodity, its production remains susceptible to agroclimatic risks. Thus, any climatic variations impacting supply is likely to have a bearing on its pricing. Government intervention through changes in minimum support price and export regulations may also exhibit an impact on the paddy price movement, ability to pass on the same to the customers remains critical as far as the profitability of rice millers like A,V. Group is concerned. Rice milling being a fragmented industry remains marked by presence of mainly unorganised players. Further, commoditised nature of the product dealt also limits the bargaining power of the rice millers.

- **Partnership nature of constitution**

Given the firm's constitution as a Partnership firm, it is exposed to discrete risks including that of capital withdrawal by the proprietor.

Analytical Approach: Consolidated

For arriving at the ratings, Infomerics has considered the combined financials of two firms constituting the A.V. Group considering its same promoters, same line of business and strong operational linkages. The list of companies is given in **Annexure 2**.



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Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity Position: Stretched

The liquidity position for A.V.Group entities is expected to remain stretched marked by its expected tightly matched cash accruals as compared to its debt repayment obligations in the near term. However, absence of any debt funded capex in the near term and an average monthly utilisation of ~68% for the past 10 month period ended January 2021 provides for some comfort to the liquidity position.

About the Firm

A.V. overseas is a partnership firm incorporated in December 2017 in the Moga district of Punjab, however the firm's operations commenced in Nov 2018. The firm is engaged in milling and processing of rice and has installed a rice shelling machine of 15 TPH in its unit located in Jalal Singh wala village, Dharamkot, Moga Mr. Avinash Kumar Gupta and Mr. Vikas Gupta are equal profit-sharing partners in the firm and have extensive experience.

About the Group

The promoters of A.V. Group have been in rice milling industry for more than 20 years. The A.V. group is engaged in processing of paddy to rice and deals with both basmati and non-basmati rice through various companies under its folds. The entities operating under A.V Group are A.V. Agro Foods, A.V. Overseas and A.V. Exports, which are all controlled by the similar management and have common control.

Financials (Consolidated – A.V. Overseas and A.V. Agro Foods)

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	21.01	49.72
EBITDA	1.75	2.99
PAT	0.21	0.50
Total Debt	12.11	16.99
Adjusted Tangible Net worth	5.36	10.45
EBITDA Margin (%)	8.31	6.02
PAT Margin (%)	1.01	1.01



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For the year ended* / As On	31-03-2019	31-03-2020
Overall Gearing Ratio (x)	2.26	1.60

*Classification as per Infomerics' standards.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019 [^]	31-03-2020
	Audited	Audited
Total Operating Income	21.01	46.26
EBITDA	1.75	2.67
PAT	0.21	0.47
Total Debt	12.11	14.65
Adjusted Tangible Net worth	5.36	9.33
EBITDA Margin (%)	8.31	5.77
PAT Margin (%)	1.01	1.01
Overall Gearing Ratio (x)	2.26	1.57

*Classification as per Infomerics' standards.

[^]The firm commenced operations on November, 2018, The financials reflect the firms income in the last 5 months of the FY19.

Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Ratings	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.	Term Loan	Long Term	3.40	IVR BB/ Stable	-	-	-
2.	Cash Credit#	Long Term	6.00	IVR BB/ Stable	-	-	-
3.	GECL	Long Term	1.99	IVR BB/ Stable	-	-	-
4.	Bank Guarantee	Short Term	0.60	IVR A4	-	-	-

Cash Credit limit of Rs. 6.00 crs is interchangeable with PC Limit upto Rs. 2.50 crs

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:



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Name: Mr. Abhishek Nayak Tel: (033) 46022266 Email: aagarwal@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@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 / Outlook
Term Loan	-	-	December 2025	0.73	IVR BB/ Stable
Cash Credit	-	-	-	3.60	IVR BB/ Stable
GECL			June 2025	0.72	IVR BB/ Stable
Bank Guarantee	-	-	-	0.20	IVR A4
Total				5.25	



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Annexure 2: List of companies considered for consolidated analysis.

Name of the Company	Consolidation Approach
A.V. Agro Foods	Full consolidation
A.V. Overseas	Full consolidation

