



## Press Release

### Sri Anagha Refineries Private Limited

September 23, 2020

#### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Bank Facilities-Term Loan	0.85 (Reduced from Rs. 1.50 crore)	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	<b>Rating reaffirmed</b>
Long Term Bank Facilities- Cash Credit	14.00	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	<b>Rating reaffirmed</b>
Short Term Facility - Letter of Credit	135.15* (Enhanced from Rs. 134.42 crore)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	<b>Rating reaffirmed</b>
<b>Total</b>	<b>150.00</b> <b>Rs. One Hundred and Fifty Crore</b>			

\*includes proposed facility of Rs. 73.15 crore

#### Details of Facilities are in Annexure I

#### Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Sri Anagha Refineries Pvt Ltd (SARPL) continues to drive strength from experienced promoters, financial support from promoters, comfortable capital structure, increased focus on refining of sunflower oil and established network of distributors. The rating however is constrained by low profitability, susceptibility of profitability to intense competition and agro based products susceptible to the vagaries of the climatic conditions.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Growth in scale of operations with improvement on profitability leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure and improvement in debt protection metrics

#### **Downward Factors**

- Elongation in the operating cycle impacting the liquidity
- Moderation in the capital structure

### **Key Rating Drivers with Detailed Description**

#### ***Key Rating Strengths***

##### ***Experienced promoters***

The promoters have over a decade long experience in the edible oil industry. Prior to setting up of refinery in 2015, they were engaged in packaging of palm oil. The Company is likely to benefit from the extensive experience of its promoters over the medium term.

##### ***Financial support from promoters***

The promoters have demonstrated their support towards the Company by infusing interest free unsecured loans which stood at Rs.40.44 crore in FY20. These loans from the promoters are subordinated to the bank facilities availed by SARPL.

##### ***Comfortable capital structure***

The capital structure of the company continued to remain comfortable with its overall gearing and TOL/TNW at 0.19x and 0.84x respectively as on March 31, 2020 (0.24x & 0.86x respectively as on March 31, 2019). The debt protection metrics marked by the interest coverage ratio and Total debt to GCA improved from 2.94x & 3.93 years respectively in FY19 and to 2.35x & 2.31 years respectively continued to remain satisfactory in FY20.

##### ***Increased focus on refining of sunflower oil***

The Company completed the expansion work involving enhancing its refining capacity of 75 tons per day to 150 tons per day. SARPL also completed work towards laying of an 8km long pipeline from Mangalore Port to its factory. The benefits from enhanced



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capacity and direct pipeline from the port to factory along with increased focus on refining of sunflower oil are likely to result in higher operating margins going forward.

### ***Established network of distributors***

The company over the years has developed long lasting relationships with large distributors. SARPL benefits from the established distribution network with over 400 distributors and traders across Andhra Pradesh, Karnataka, Kerala and Goa.

### ***Key Weaknesses***

#### ***Low profitability***

The profitability margins of the company have been low as driven by EBITDA margin which increased marginally to 1.70% in FY20 from 1.59% in FY19 whereas PAT margin declined 0.19% in FY19 and stood at 0.07% in FY20 driven by high depreciation charges in FY20 of Rs. 6.13 crore (PY: Rs.3.77 crore). With the change in focus of the company towards refining of sunflower oil, the profitability margins are expected to improve in the medium term driven by the capacity expansion.

#### ***Susceptibility of profitability to intense competition***

The Indian edible oil industry is highly fragmented marked by the presence of numerous small players and low entry barriers. A large number of small units are operating in the sector with unbranded oils capturing a large part of the industry. This has resulted in weak profitability margins. SARPL is likely to remain exposed to intense competition in the industry.

#### ***Agro based products susceptible to the vagaries of the climatic conditions***

The edible oil business is susceptible to risks pertaining to availability of oil, which is dependent on the climatic conditions. Moreover, the raw material prices depend on international prices and demand supply situation both in the domestic and international markets. The Company is likely to remain exposed to volatility in raw material prices.

**Analytical Approach:** Standalone



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### Applicable Criteria

Rating Methodology for manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

### Liquidity: Adequate

SARPL is expected to generate adequate cash accruals of Rs. 8.47 crore, Rs. 10.78 crore and Rs. 11.99 crore in FY21, FY22 and FY23 as against minimum repayment obligations of Rs. 0.28 crore, Rs. 0.29 crore and Rs. 0.33 crore during the same period. Further, the bank limits remained highly utilized in the twelve months through August 2020 at 93.54%. Liquidity is further supported by financial support from promoters in the form of unsecured loans.

### About the Company

SARPL is engaged in refining of crude sunflower oil. The Company has its refinery based at Mangalore. The Company imports crude sunflower oil from Ukraine, which is first refined, then packed and sold under the brand name "Sun Premium". The Company also purchases palm oil from importers, packages it and sells it under the brand "Palm Jyothi".

### Financials (Standalone)

	(Rs. crore)	
For the year ended / As On*	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	426.78	497.91
EBITDA	6.78	8.49
PAT	0.83	0.33
Total Debt	18.54	14.91
Tangible Net worth	37.88	38.54
Adjusted Tangible Net worth (including subordinate debt)	80.96	78.98
EBITDA Margin (%)	1.59	1.70
PAT Margin (%)	0.19	0.07
Overall Gearing Ratio (x)	0.20	0.19

\* As per Infomerics standard

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/Facil	Current Rating (Year 2020-21)	Rating History for the past 3 years
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	ities	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.	Long Term Facility - Term Loans	Long Term	0.85 (Reduced from Rs. 1.50 crore)	IVR BBB-/ Stable outlook	IVR BBB-/ Stable outlook (September 07, 2019)	--	--
2.	Long Term Facility – Cash Credit	Long Term	14.00	IVR BBB-/ Stable outlook	IVR BBB-/ Stable outlook (September 07, 2019)	--	--
3.	Short Term Facility – Letter of Credit	Short Term	135.15 (Enhanced from Rs. 134.42 crore)	IVR A3	IVR A3 (September 07, 2019)	--	--

\*includes proposed letter of credit facility of Rs. 73.15 crore

**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](http://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
Long Term Bank Facilities- Cash Credit	-	-	On demand	14.00	IVR BBB-/ Stable outlook
Long Term Bank Facilities- Term Loan	-	-	-	0.85	IVR BBB-/ Stable outlook
Short Term Bank Facilities – Letter of Credit	-	-	-	135.15*	IVR A3

\*includes proposed letter of credit facility of Rs. 73.15 crore

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-Sri-Anagha-Refineries-Private-Limited-23-sep-20-.pdf>