



Press Release

A1 Agri Global Pvt. Ltd.

September 29, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – CC	27.75	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Proposed Long Term Fund Based Bank Facilities – CC	22.25	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	50.00	Fifty crore only		

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of A1 Agri Global Pvt Ltd derive comfort from experience of top management in edible oil trading industry, strong relationships with customers ensuring repeated orders, Modest working capital cycle as reflected by low debtors, and inventory levels resulting in limited dependence on debt, comfortable financial risk profile, favourable demand outlook for the edible oil sector in India and the Company's focus to HoReCa segment in future. The ratings are, however, constrained by thin profitability margin, highly competitive and fragmented nature of the industry and exposure to regulatory/geopolitical risk.

Key Rating Sensitivities:

Upward Factors

- Sustained and significant improvement in revenue and profitability.
- Improvement in the capital structure with improvement in TOL/TNW and sustained improvement in debt protection metrics.



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- Improvement in liquidity.

Downward Factors

- Any decline in revenue & profitability leading to deterioration in debt protection metrics with interest coverage.
- Deterioration in liquidity

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experience of top management in edible oil trading industry

A1 Agri Global Pvt Ltd was promoted by Mr. Sparsh Sachar who has over 7 years of experience in edible oil and agro commodities business. He is managing director of the Company. Also, Mr. Neeraj Kumar who is C.E.O. of the company has over 28 years of experience and is handling day to day operations of the Company.

Strong relationships with customers ensuring repeated orders

The company enjoys strong relationships with its customers, which ensures repeated orders. the company has established sources for raw material with a sizeable credit period of ~8 to 12 days only.

Modest working capital cycle as reflected by low debtors and inventory levels resulting in limited dependence on debt

The company has low a working capital cycle with limited debtors and stock levels. The company's dependence on debt remains low as reflected by gearing of 0.95 times as on Mar 31, 2022 and its earnings are supported by interest income on free fixed deposits denoting free cash flow with the Company.

Satisfactory financial risk profile

Total operating income has increased to Rs.514.81 crore in FY22(A) from Rs. 366.53 crore in FY21(A), registering Y-o-Y growth of ~40% due to capability of the Company to achieve high turnover. Consequently, the PAT margin has also improved. Further, GCA reported by the company stood at Rs.3.14 crore in FY22(A) as against debt repayment obligation of Rs 0.08 crore.



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In Q1FY23, the company has reported EBITDA of Rs 2.42 crore on total operating income of Rs 135.26 crore. The profitability margin has moderated in Q1FY23 on account of downward correction in realizations of edible oils.

Favourable demand outlook for the edible oil sector in India

The Indian edible oil industry is price sensitive in nature as a substantial part of the consumption is correlated to the changes in prices of edible oil and quantum of disposable income. The demand for edible oil in India has witnessed steady growth over the years and the long-term demand outlook for edible oil in India continues to be favourable. India is the third largest consumer of edible oil (after China and the EU-27 countries) and domestic edible oil fulfils ~40-45% of total domestic consumption leading to sizeable import dependence.

The Company's Focus to HoReCa Segment

The retail edible oil market can be divided into two segments HoReCa (Hotel-Restaurant Caterer) and end consumers, who consume a majority of the edible oil share. While the consumption in the HoReCa segment was hindered due to the pandemic, it started increasing now with the slowing down of COVID-19 and reopening and recovery of economy. The Company has started focusing on expanding its business in HoReCa channel where profit margins are comparatively higher than the wholesale or manufacturing channel.

Key Rating Weaknesses:

Thin Profitability margin

The edible oil trading industry is vulnerable to government policies in the form of duties imposed on import of refined and crude edible oil, volatility in edible oil prices and foreign exchange rates. Therefore, the Company's profitability margins from sale of edible oil, usually remains thin.

Highly competitive and fragmented nature of the industry

The Indian edible oil industry is intensely competitive due to numerous small players and some reputed players. Moreover, the company has thin profit margins due to the trading nature of operations without any value addition.



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Exposure to regulatory/ geopolitical risk

India remains dependent on edible oil imports from countries like Indonesia, Malaysia, Ukraine, Russia, etc. Any issue in the producing countries such as export ban or an event like the Russia–Ukraine conflict or a bad crop may hamper the availability of raw material and spark a price rise. The Government of India also regulates edible oil imports via import duty and agri-cess, which are also a risk for industry players.

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of Rating Outlook](#)

Liquidity - Adequate

The liquidity profile of A1 Agri Global Pvt Ltd is expected to remain adequate, as marked by its expected satisfactory cash accrual in the range of ~Rs. 5 - Rs. 7 crore during FY23-25 vis-à-vis its debt repayment obligations. The average working capital utilisation of the company remained moderate at 78% during the past 12 months ended on August 31, 2022. The company has adequate gearing headroom for additional debt with an overall gearing of 0.95x as on March 31, 2022. The interest coverage ratio stood healthy at 4.03x during FY22(A). The current ratio and quick ratio remained comfortable at 1.52x and 1.19x respectively for FY22(A). The cash & cash equivalent of the Company remains adequate at Rs. 0.39 crore as on March 31, 2022.

About the Company

Incorporated on July 12, 2020, A1 Agri Global Pvt Ltd is into the business of trading and import of edible oils, food grains, pulses and oil seeds .The registered office of the Company is located at New Delhi. The Company is having a storage tank facility at the Kandla Port Custom compound area.



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Financials (Standalone)

(INR Crore)

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	366.53	514.81
EBITDA	1.53	4.79
PAT	1.19	2.85
Total Debt	9.44	18.08
Tangible Net Worth	16.24	19.05
Ratios		
EBITDA Margin (%)	0.42	0.93
PAT Margin (%)	0.32	0.55
Overall Gearing Ratio (x)	0.58	0.95

* Classification as per Infomerics' standards

Status of Non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Bank Facilities – CC	Long Term	27.75	IVR BBB- / Stable	-	-	-
2.	Propose Fund Based Bank Facilities – CC	Long Term	22.25	IVR BBB- / Stable	-	-	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

(INR Crore)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – CC	-	-	Revolving	27.75	IVR BBB- / Stable
Proposed Long Term Fund Based Bank Facilities – CC	-	-	-	22.25	IVR BBB- / Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-A1Agri-sep22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 <https://www.infomerics.com/>.