



Press Release

Abraq Agro Fresh LLP

December 22, 2023

Ratings

| Facility | Amount (Rs. Crore) | Rating | Rating Action | Complexity Indicator |
|---------------------------|---|--|---------------|--------------------------------------|
| Long-Term Bank Facilities | 26.77 | IVR BB-; Stable (IVR Double B Minus with Stable outlook) | Assigned | Simple |
| Total | 26.77 (INR Twenty-six crore and seventy-seven lakh only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Abraq Agro Fresh LLP (AAFLLP) derives strength from its gradual improvement in its scale of operation albeit moderation in profitability well supported by the experienced and resourceful partners. Further, the rating also considers moderate capital structure of the firm with average debt protection metrics and entitlement for government subsidy. However, these rating strengths remain partially offset by its ongoing capex, small operational track record with small scale of operation, presence in a highly competitive industry and exposure to risks related to adverse climatic conditions. Further, the rating also note its limited liability partnership nature of constitution.

Key Rating Sensitivities:

Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the capital structure with improvement in overall gearing below 2x with sustainable interest coverage ratio over 3.5x.
- Improvement in liquidity.

Downward Factors

- Dip in operating income and/or moderation in profitability with drop in EBITDA margin.
- Deterioration in the capital structure with moderation in overall gearing to over 3x and/or deterioration in debt protection metrics.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Experienced partners**

Abraq Agro Fresh LLP (AAFLLP) was founded by Mr. Riyaz Ahmad Qadri and Mrs. Irfana Qadri in Srinagar, Jammu & Kashmir. Both the promoters, Mr. Riyaz Ahmad Qadri and Mrs. Irfana Qadri have more than decades of exposure in the field.

- **Gradual improvement in scale of operation albeit moderation in profitability**

Notwithstanding its small scale of operations, the topline of the firm has improved gradually over the past couple of years mainly driven by rising demand of cold storage facility in Srinagar along with rise in the trading revenue of the firm. Driven by improved topline, the absolute EBITDA has improved over the years from Rs.2.92 crore in FY20 to ~Rs.8.29 crore in FY22. However, owing to rise in less value-added trading business during FY23, the EBITDA has gone down to Rs.4.13 crore. Further, owing to low margin nature of trading business along with higher purchase price of traded goods, EBITDA margin of the firm which had improved from ~33% in FY20 to ~48% in FY22 has declined to 15.99% in FY23. After incurring net loss in past two years, affected by high depreciation and finance cost, in FY22 the firm turned profitable and registered a net profit of Rs.4.17 crore which has moderated to Rs.1.08 crore in FY23. Consecutively, the GCA which stood at Rs.7.29 crore in FY22 has also reduced to Rs.4.08 crore in FY23.

- **Eligibility for government subsidy**

The firm is entitled to government subsidy of Rs.14 crore for the capex expansion project. In addition to the new subsidy receivable, the existing subsidy linked to term loan stood at ~Rs.11.73 crore as on March 31, 2023, and this amount is to be directly deposited in the J&K bank account which would be utilized for part settlement repayment of the existing term loan.

- **Moderate capital structure with average debt protection metrics**

The capital structure of the firm remained leveraged in its initial years of operation owing to small net worth base and witnessed steady improvement on the back of gradual accretion of profits to net worth and scheduled repayment of debts from commencement of its operations. Further, in FY23 fresh term loan of ~Rs.9.98 crore has been disbursed for capex which resulted in moderation in overall gearing ratio from 1.77x as on March 31, 2022 to 2.20x as on March 31, 2023. The overall indebtedness marked by TOL/TNW also moderated



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and stood 2.91x as on March 31, 2023 (against 2.33x as on March 31, 2022). Owing to the high debt in the capital structure, the finance cost had remained high over the years. Further, affected by low absolute EBITDA in FY23 provisional, the debt protection metrics marked by interest coverage has moderated to 3.29x in FY23 against 3.47x in FY22. Consecutively, Total Debt/EBITDA and Total Debt/GCA has also remains stretched at 8.49x and 8.58x respectively as on March 31, 2023, against 3.13x and 3.90x respectively as on March 31, 2022.

Key Rating Weaknesses:

- **Small operational track record and small scale of operation**

The firm was incorporated in June 2017. Hence it was small track record of operation of around five and half years. Moreover, its scale of operation has also remained small with a total operating income of ~Rs.25.80 crore in FY23. However, over the past couple of years the topline has grown and it has built up good relationship with its customers.

- **Exposure to risks related to adverse climatic conditions:**

Firms' revenue is directly dependent on the apple yield in a particular year and the apple yield is dependent on climatic conditions such as change in temperature, ground frost and hailstorm, and subsequent adversities, loss of soil fertility, water availability, and natural calamities which may pose threats on apple production. Hence, AAFLLP's business will remain vulnerable to climatic factors impacting the apple produce.

- **Presence in a highly competitive industry**

The cold storage and warehousing industry in India are highly fragmented, thus the firm faces stiff competition from other established and unorganized players in the industry which may exhibit a bearing on the profitability metrics.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

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

[Criteria of assigning rating outlook](#)

[Criteria on default Recognition](#)

Liquidity: Stretched



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The liquidity position of the Abraq Agro Fresh LLP is expected to remain stretched considering its leverage capital structure affected by the majorly debt funded ongoing capex. The firm is expected to earn about Rs.10-11 crore during FY24-FY25 along with the subsidy of ~Rs.11.73 crore which would be just adequate to meet its debt service obligations. However, the generation of envisaged cash accruals is critical from a credit perspective. Moreover, the average fund-based utilization of the firm was around ~41% during the last 12 months ending July 2023, indicating a sufficient liquidity buffer.

About the Firm

Incorporated in 2017, Abraq Agro Fresh LLP (AAFLLP) was founded by Mr. Riyaz Ahmad Qadri and Mrs. Irfana Qadri in Srinagar, Jammu & Kashmir. AAFLLP is predominantly engaged in providing cold storage facilities mainly to the local apple growers and traders. The firm has set up a Cold Storage with conditioning, grading/ waxing/ packing and Pack House facilities unit for preservation of fruits and vegetables in Pulwama, Kashmir back in 2018 with installed storage capacity of 5000 MT. Beside cold storage services, AAFLLP is also engaged in apple trading business.

Financials of Abraq Agro Fresh LLP (Standalone):

| For the year ended* / As On | (Rs. crore) | |
|-----------------------------|-------------|-------------|
| | 31-03-2022 | 31-03-2023 |
| | Audited | Provisional |
| Total Operating Income | 17.02 | 25.80 |
| EBITDA | 8.29 | 4.13 |
| PAT | 4.17 | 1.08 |
| Total Debt | 28.42 | 35.02 |
| Tangible Net worth | 16.09 | 15.95 |
| EBITDA Margin (%) | 48.69 | 15.99 |
| PAT Margin (%) | 22.68 | 4.01 |
| Overall Gearing Ratio (x) | 1.77 | 2.20 |
| Interest Coverage | 3.47 | 3.29 |

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

| Sr. No | Name of Instrument/ | Current Rating (Year 2023-24) | Rating History for the past 3 years |
|--------|---------------------|-------------------------------|-------------------------------------|
|--------|---------------------|-------------------------------|-------------------------------------|



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| . | Facilities | Type | Amount outstanding (Rs. Cr.) | Rating | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
|----|-------------|-----------|------------------------------|-----------------|---|---|---|
| 1. | Cash Credit | Long Term | 3.36 | IVR BB-/ Stable | - | - | - |
| 2. | Term Loan | Long Term | 20.41 | IVR BB-/ Stable | - | - | - |
| 3. | GEL | Long Term | 3.00 | IVR BB-/ Stable | - | - | - |

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Cr) | Rating Assigned/ Outlook |
|--|------------------|------------------|---------------|---------------------------|--------------------------|
| Long Term Fund Based Limits –Cash Credit | - | - | - | 3.36 | IVR BB-/ Stable |
| Long Term Fund Based Limits –Term Loan | - | - | 2026 | 20.41 | IVR BB-/ Stable |
| Long Term Fund Based Limits –GECL | - | - | 2024 | 3.00 | IVR BB-/ Stable |

Annexure 2: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/lender-Abrag-dec23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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 www.infomerics.com