A1 Agri Global Limited (erstwhile A1 Agri Global Private Limited)

December 27, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – CC	75.00 (Increased from Rs.27.75 crore)	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Revised from IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Simple
Total	**75.00 (Rupees Seventy-Five crore only)**			

Details of facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of A1 Agri Global Limited (erstwhile A1 Agri Global Private Limited) (AAGL) derive comfort from the funds infusion to the tune of Rs.28.75 crore in the form of equity and USL and the overall improvement in the scale of operations and profitability in FY23 and maintenance of the same in the H1FY24. The rating also factors in the experienced top management and resourceful promoters, 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, favourable demand outlook for the edible oil sector in India, with the company's focus on the HoReCa segment and adequate liquidity.

The rating is however constrained on account of the thin profit margin, highly competitive and fragmented nature of the industry, susceptibility 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.

Downward Factors

- Any decline in revenue & profitability leading to deterioration in debt protection metrics.
- Any major unplanned debt-funded capex

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced top management and resourceful promoters

A1 Agri Global Limited 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. The promoters has infused additional capital and unsecured loan aggregating to Rs.28.75 crore.

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 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 a low working capital cycle with limited debtors and stock levels. The company's dependence on debt remains low as reflected by gearing of 1.02 times as on Mar 31, 2023.

Increase in the scale of operations and maintenance of the same in H1FY24

Total operating income has increased to Rs.599.74 crore in FY23 (A) from Rs.514.81 crore in FY23 (A), registering Y-o-Y growth of ~16.50%, FY23 being the second full year of operations and with the stabilization of business volumes and addition of customer base. Consequently, the PAT margin has also improved to 0.76% (PY: 0.55%). Further, GCA reported by the company stood at Rs.4.76 crore in FY23 as against Rs.3.14 crore reported in FY22. The similar upward trend is visible in the H1FY24 numbers as evident from the total operating income of Rs.516.39 crore (H1FY23 – Rs.287.39 crore) and the PAT margin reported of 1.17% (H1FY23 - 0.76%).

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 on 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. With the increased focus on the HoReCa segment consumption, post COVID-19, the demand of the company is envisaged to surge rapidly. Also, generally the HoReCa segment is more reliable as compared to the other segments in terms of the lifting and also in terms of the margins considering the bulk orders.

Key Rating Weaknesses:

Thin profit 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, as visible from the PAT margin of less than 1% in FY23 and 1.17% in H1FY24.

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.

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.

Analytical Approach: Standalone

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 Limited remained adequate, as marked by its satisfactory cash accrual of Rs.4.76 reported in FY23 vis-à-vis its debt repayment obligations of less than Rs.0.10 crore per annum. The average working capital utilisation of the company remained moderate at 63% during the past 12 months ended on September 30, 2023. The company has adequate headroom for additional debt with an overall gearing of 1.02x as on March 31, 2023. The interest coverage ratio stood healthy at 3.54x during FY23 (A). The current ratio and quick ratio remained comfortable at 1.53x and 1.06x respectively as on March 31, 2023. The cash & cash equivalent of the company remains low at Rs.0.15 crore as on March 31, 2023, however with the enhanced CC limits and with the average utilization of around 25%, the unused CC limits remained around Rs.56 crore in recent months, depicting adequate liquidity available with the company.

About the Company

Incorporated on July 12, 2020, as A1 Agri Global Private Limited is into the business of trading and import of edible oils, food grains, pulses and oil seeds, with the registered office located at New Delhi. The company is having a storage tank facility at the Kandla Port Custom compound area. The company in the year H1FY24 has changed its constitution to Public limited company.

Financials (Standalone)

(INR Crore)

For the year ended* As on	31-03-2022	31-03-2023

	Audited	Audited
Total Operating Income	514.81	599.74
EBITDA	4.79	8.90
PAT	2.85	4.54
Total Debt	18.08	39.33
Tangible Net Worth	19.05	38.38
Ratios		
EBITDA Margin (%)	0.93	1.48
PAT Margin (%)	0.55	0.76
Overall Gearing Ratio (x)	0.95	1.02

* *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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (September 29, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Bank Facilities – CC	Long Term	75.00	IVR BBB / Stable	IVR BBB- / Stable	-	-
2.	Propose Fund Based Bank Facilities – CC	Long Term	-	-	IVR BBB- / 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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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	-	-	-	75.00	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-AgriGlobal-dec23.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/.