



Press Release

Agri Process Innovations & Technologies LLP

February 27, 2024

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	4.05	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	Assigned	Simple
Short-Term Bank Facilities	0.95	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	5.00 (INR Five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Agri Process Innovations & Technologies LLP (APIT) derives strength from its experienced management, steady improvement in business performance over the past three fiscals along with its moderate capital structure with average debt protection metrics. Further, the ratings also consider the favourable demand outlook of the customised product offered by the firm supported by APIT's patent of PROSE software. However, these rating strengths remain partially offset by the small operational track record of the firm, highly working capital-intensive nature of operation coupled with susceptibility to cyclicalities inherent in the agricultural industry. Further, the rating also considers its nature of constitution as a limited liability partnership.

Key Rating Sensitivities:

Upward factors

- Sustained revenue growth with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the capital structure marked by improvement in TOL/TNW to below 3x and/or improvement in interest coverage ratio to above 4x
- Improvement in liquidity

Downward Factors

- Decline in revenue and profitability leading to deterioration in gross cash accruals on a sustained basis



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- Any unplanned capex leading to impairment in the capital structure with moderation in overall gearing to over 2.5x and interest coverage to below 1.5x
- Elongation of the working capital cycle leading to deterioration in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Experienced management**

Mr. Sridhar Nagalapur one of the partners is a mechanical engineer by qualification and has nearly a decade of industry experience. Mr. Shashi Kumar Thimmaiah the other partner has nearly two decades of invaluable experience in Rice Processing Technology. He looks after the aspect of exploring cutting-edge technologies to successfully implement Artificial Intelligence and Internet of Things (IoT) in Rice Processing Technology. Their vision, industry experience and strong leadership would help the firm to grow in future.

- **Patent of PROSE software for 20 years**

APIT's PROSE is a unique system that integrates plant machinery, instruments, and products into one system. PROSE provides access to all the processes that are required to control the fortification bioprocess of bran and starch remotely. PROSE, the operating software system for Paddy intake to Rice packing, has been granted a patent by Government of India on 2nd June 2022 for a period of 20 years.

- **Steady improvement in business performance**

The total operating income of the firm grew at a CAGR of ~53% during FY20-FY23 with a y-o-y growth of ~32% in FY23. The growth in topline is mainly driven by gradual improvement in orderbook position backed by the higher demand of the customised product and service offered by the firm along with better execution of the same over the past three fiscals. Backed by steady improvement in topline, along with execution of high value orders from reputed customers, coupled with better absorption of overhead cost, the operating margin has improved over the years and remain moderate at 1.96% in FY23. The company had reported operating profit of Rs. 0.18 crore for the first time in FY22 which has improved to Rs.2.37 crore in FY23. Subsequently, despite increase in finance cost in FY23, PAT margin has improved to 1.23% in FY23 from 0.77% in FY22. The firm has earned gross cash accruals of Rs.1.79 crore in FY23 as against nil external debt repayment obligations. The company's business performance has improved further in present fiscal backed by better execution of its orders. Till January 2024, APIT has managed to churn out revenue of



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~Rs.118 crore. Furthermore, backed by execution of high value orders and rising demand of its patented technology in the market the operating margin has also improved in 9MFY24.

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

The net worth base of the firm had remained moderate over the past few years. However, with accretion of profit to reserve supported by fresh infusion of capital of ~Rs.6 crore in FY23, the net worth has improved and stood at Rs.7.83 crore as on March 31, 2023. The debt equity ratio and overall gearing ratio stood moderate at 0.33x and 2.05x respectively as on March 31,2023. Total indebtedness of the firm marked by TOL/TNW remained high mainly due to higher creditors of the firm. The firm uses credit period availed from its creditors to fund its working capital requirements in view of its low working capital borrowings.

Favourable demand outlook of the customised product offered by APIT

India is one of the world's largest producers and consumers of rice, making the rice milling industry a critical component of the country's agriculture and food processing sector.

With increasing modernization in the agriculture and food processing sectors, the rice milling industry has witnessed technological advancements to improve efficiency, yield, and quality. Automation and mechanization in rice mills have become more common, enhancing productivity and reducing processing losses. APIT's focus to provide one stop solution to its client by providing customized product and service would help the firm to grow in the coming years.

Key Rating Weaknesses:

- **Small operational track record**

The firm was incorporated in June 2016. Hence it was small track record of operation of around seven years. The scale of operation of the firm has also remained small over the past couple of years which has improved to ~Rs.120.73 crore in FY23 and it has built up good relationship with its customers.

- **Susceptibility to cyclicity inherent in the agricultural industry and impact of subsidy schemes**

The Indian farming equipment industry is exposed to cyclicity due to fluctuations in the demand scenario with sensitivity to monsoons and farmer sentiments, crop prices, and availability of finance. This could impact on the company's earnings and cash accruals in periods of unfavourable monsoons and other variables. Government initiatives, including



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subsidies on farming equipment, further influence demand, with policy variations between central and state governments affecting the sector.

- **Highly working capital intensive nature of operation**

The business of the firm remains working capital intensive mainly due to its high work in process period as the manufacturing and installation of machines requires around 3 to 4 months of processing time. Furthermore, to support its manufacturing operations and commissioning of turnkey projects the firm has to hold adequate inventory of raw materials. However, to manage its working capital requirements the firm avails high credit period from its suppliers. Accordingly, the operating cycle of the firm remained satisfactory over the past three fiscals. The firm has low working capital limits as compared to its topline. The working capital utilization of the firm stood ~82% for past twelve months ended December 2023 suggesting moderate liquidity buffer.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Criteria on default recognition](#)

[Criteria on complexity](#)

Liquidity: Adequate

APIT is expected to earn cash accruals in the range of ~Rs.3.62-7.50 crore during the projected period of FY24-FY26. The liquidity of the firm is expected to remain adequate in the near to medium term marked by its expected sufficient cash accruals vis-à-vis its nil debt repayment obligations with no scheduled capex plan. Further, the average working capital utilization of the firm remained moderate at ~82% for the past twelve months ended December 2023, indicating moderate liquidity buffer.

About the Entity

Incorporated in 2016, Agri Process Innovations & Technologies (APIT) is a solutions provider to various paddy processing units. The firm provides fully automated machines and software solutions to these units across the country and mainly to Nigeria outside India. Besides, the firm also provides customized solutions to these units.



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Mr. Sridhar Nagalapur and Mr. Shashi Kumar Thimmaiah and Metalex Multitrdade Private limited are the three designated partners of the firm as per the partnership deed dated 11th January 2023 with profit sharing percentage of 25%,25% and 50% respectively.

Financials of Agri Process Innovations & Technologies LLP (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	89.85	120.73
EBITDA	0.18	2.37
PAT	0.70	1.49
Total Debt	6.36	16.08
Tangible Net worth	0.00	7.83
EBITDA Margin (%)	0.20	1.96
PAT Margin (%)	0.77	1.23
Overall Gearing Ratio (x)	NM^	2.05
Interest Coverage	0.22	1.84

*Classification as per Infomerics' standards.

^Not Meaningful

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		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	4.00	IVR BB+/ Stable	-	-	-
2.	Letter of Credit	Short Term	0.90	IVR A4+	-	-	-
3.	Forward contract derivatives	Short Term	0.05	IVR A4+	-	-	-
4.	Proposed Fund Based	Long Term	0.05	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	-	-	-	4.00	IVR BB+/ Stable
Short Term Non-Fund Based Limits – Letter of Credit	-	-	-	0.90	IVR A4+
Short Term Non-Fund Based Limits – Forward contract derivatives	-	-	-	0.05	IVR A4+
Long Term Fund Based Limits –Proposed	-	-	-	0.05	IVR BB+/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-AgriProcess-feb24.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