



Press Release

Ahir Salt and Allied Products Private Limited

March 31, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	53.37	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	Assigned	Simple
Total	53.37 (INR Fifty-three crores thirty-seven lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Ahir salt and Allied Products Private Limited (ASAPL) considers the experience of promoters with established track record in the business, favourable unit location with vicinity to Kandla port and healthy financial risk profile as depicted by a leveraged capital structure and moderate coverage indicators. However, the rating is constrained by moderate scale of current operations and susceptibility of salt business to weather conditions and natural calamities.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with established track record in the business

The promoters of the company have been in the industry for over three decades. They have successful operational track record in salt manufacturing and trading industry along with extensive experience in warehousing and liquid terminal storage, which has helped in establishing a healthy relationship with the customers as it has been getting regular repeat orders from its clients. The promoters have also supported the business by extending unsecured loans.

Favorable unit location with vicinity to Kandla port

The Company is present in Kutch, Gujarat, which is considered as the major salt producing region. It has its proximity to Kandla port which is one of the major ports in western India. This results in lower expenditure on logistics like transportation and storage.

Healthy financial risk profile as depicted by a leveraged capital structure and moderate coverage indicators

The company's capital structure remained conservative as reflected by an adjusted gearing of 0.95 as on March 31, 2021. The adjusted net worth of company stood at Rs. 77.26 crore as on March 31, 2021, which include unsecured loans of Rs. 20.00 crore from directors and relatives which are subordinated to bank debt and is considered as quasi equity. TOL/ATNW stood at 1.26x as on March 31, 2021. Debt protection parameters also remains moderate with interest coverage ratio of 2.56x and DSCR of 1.18x in FY21. With expected increase in the profits of the company, the capital structure and the coverage indicators are expected to improve further, going forward.

Key Rating Weaknesses

Moderate scale of current operations



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The company's topline decline to Rs. 79.64 crore in FY21 from Rs. 98.05 crore in FY20 due to lockdown on the account of Covid-19 pandemic. However, the same has improved in the current fiscal, which stood at Rs. 98 crore till February 28, 2022. Infomerics expects the topline of the company to improve gradually, which will consequently increase the profits and cash accruals, which will be a key rating determinant going ahead.

Susceptibility of salt business to weather conditions and natural calamities

Salt business is seasonal and highly dependent on weather conditions and remains exposed to natural calamity as its extraction is dependent on sea water, and instances of tidal flooding can severely impact the production.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY22-24. The company earned a Gross Cash Accruals (GCA) of Rs.14.58 crores in FY21 as against its repayment obligation of Rs.11.64 crores. Also, the company's current ratio stands at 1.67x.

About the Company

ASAPL, incorporated in 1990 as a private limited company, is into business of salt manufacturing, providing services of warehousing and storage terminal handling. Its manufacturing facility is in Gandhi Dham, Gujarat. The company commenced operations in 1990 by initially entering business of salt extraction and further manufacturing it for industrial use. Further the company also got involved in providing services of warehousing and storage terminal handling by setting up liquid storage terminals at the same manufacturing unit in Gandhi Dham, Gujarat.



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Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	98.05	79.64
EBITDA	26.34	21.36
PAT	3.27	3.42
Total Debt	82.76	73.46
Tangible Net worth	53.83	57.26
EBITDA Margin (%)	26.87	26.82
PAT Margin (%)	3.33	4.17
Overall Gearing Ratio (x)	1.91	1.63
Interest Coverage Ratio (x)	2.78	2.56

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NIL

Any other information: NIL

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loans	Long Term	53.37	IVR BBB-/ Stable	-	-	-

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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



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and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 (INR Crore)	Rating Assigned/ Outlook
Term Loan- I	-	-	FY26	20.22	IVR BBB-/ Stable
Term Loan- II	-	-	FY26	9.70	IVR BBB-/ Stable
Term Loan- III	-	-	FY27	9.21	IVR BBB-/ Stable
Term Loan- IV	-	-	FY26	7.17	IVR BBB-/ Stable
Term Loan- V	-	-	FY30	7.07	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/Ahir-Salt-lenders-march22.pdf>



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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.

