



Press Release

Aroma Agrotech Private Limited (AAPL)

July 17, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	10.00	IVR BBB+/Stable and Withdrawn (IVR Triple B Plus with Stable outlook and Withdrawn)	IVR BBB+/Stable (IVR Triple B Plus with Stable outlook)	Rating reaffirmed and withdrawn *	Simple
Short Term Facilities	207.48	IVR A2 and Withdrawn (IVR A Two and Withdrawn)	IVR A2 (IVR A Two)	Rating reaffirmed and withdrawn *	Simple
Total	217.48 (Rupees Two Hundred Seventeen crore and Forty Eight lakh only)				

* The above action has been taken at the request of AAPL and 'No Objection Certificate' received from the banks who have extended the facilities, and which is rated by Infomerics and 'it is in line with Infomerics' policy of Withdrawal of the rating'.

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed the ratings assigned to the bank facilities of AAPL at IVR BBB+/ Stable / IVR A2, and simultaneously withdrawn the ratings with immediate effect. The above action has been taken at the request of AAPL and 'No Objection Certificate' received from the banks who have extended the facilities, and which is rated by Infomerics.

The rating is withdrawn in accordance with Infomerics' policy on withdrawal of rating. The reaffirmation in the ratings assigned to the bank loan facilities of AAPL reflects sustained improvement in revenue and stable EBITDA margins for FY24 (P) along with comfortable debt protection metrics and capital structure. The ratings continue to derive strength from experienced promoters and long track record of operations and stable demand prospects for



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rice. The ratings however constrained by working capital intensive nature of operations, customer and geographical concentration risk, intense competition in the rice milling industry and vulnerability to foreign exchange and agro-climatic risks.

The Stable Outlook of AAPL reflects benefit from its well established relationship with suppliers and customers due to long presence in the industry and consistent performance of the company impart comfort towards the performance of the company.

Key Rating Sensitivities: Not applicable as ratings withdrawn

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improved operating performance**

AAPL's operating performance improved during FY24 (P) with total operating income increased to Rs. 1091.07 crore an improvement of 18% over Rs.926.31 crore in FY23 driven by volume and realisation growth. EBITDA margin has remained stable and stood at 5.78% in FY24 (P) as compared to 5.69% in FY23. PAT margin has improved to 3.16% in FY24 (P) against 2.86% in FY23, mainly due to decrease bank charges to Rs.1.92 crore in FY24 (P) (P.Y.: 3.29 crore).

- **Comfortable debt protection metrics and capital structure**

AAPL has able to maintain moderate capital structure with improvement in overall gearing and TOL/TNW to 1.16x and 1.34x respectively in FY24 (P) (FY23: 1.37x and 1.62x), due to lower utilization of working capital limits and also improvement in net worth due to retaining of profits. Further, interest coverage ratio has improved and remained comfortable at 5.20x in FY24 (P) (FY23: 4.25x) and total debt/NCA has improved to 5.28x in FY24 (P) (FY23: 6.38x).

- **Long track record of operations with experienced promoters**



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AAPL has a long presence in the industry for around two decades and emerged as an established player in rice milling industry. The day-to-day activities of AAPL are managed by Mr. Anil Kumar Garg, Mr. Sushil Kumar Garg, Mr. Vinod Kumar Garg and Mr. Praveen Garg with vast industrial experience.

- **Stable demand prospects for rice**

The demand prospects for rice industry are expected to remain stable as rice is a staple food grain and India is the world's second largest producer and one of the top exporters in global rice trade. Rice is one of India's most important food crops, feeding the population of India, as well as a key generator of employment.

Key Rating Weaknesses

- **Working capital intensive nature of operations**

The operations of the company remained working capital intensive marked by its elongated average inventory period. Typically, the company maintains inventory of around 100-120 days led by the seasonal availability of commodity and processing time required to attain the final product. Further, its purchases are on a shorter credit of 13 days against a credit of 0-90 days it generally extends to its customers. To support its high working capital requirements, the company depends on its working capital borrowings from the banks. The company's operating cycle improved to 114 days in FY24 (P) (FY23: 130 days). The inventory days also improved and stood at 91 days in FY24 (P) (FY23: 112 days). The collection days stood at 28 days in FY24 (P) (FY23: 27 days). Creditor days stood at 5 days in FY24 (P) (FY23: 9 days).

- **Customer and geographical concentration risk**

AAPL derived around 51% of its total operating income from its top 5 customers in FY23 (P.Y.: 60%), resulting in high customer concentration risk. Further, around 83% of total export sales come from the Saudi Arabia and UAE, thus, exposing the company to high geographical concentration risks.

- **Intense competition in the rice milling industry**



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The rice milling industry is characterized by stiff competition amid presence of many organized and unorganized players. Low entry barriers coupled with low technological requirement and very less product differentiation makes the rice milling operations vulnerable to competition and limits the pricing flexibility of players in the industry.

- **Vulnerability to foreign exchange and agro-climatic risks**

As exports account for a significant percentage of its turnover, the company remains exposed to foreign currency fluctuation risks. However, it has a hedging mechanism for reducing the impact of fluctuations in foreign exchange rates. Given its operations in the agricultural industry, AAPL is exposed to agro-climatic risks such as availability and quality of raw materials, which have a bearing on basmati rice prices.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

[Policy on withdrawal of ratings](#)

Liquidity – Adequate

AAPL's liquidity is expected to remain adequate in medium term as the company is not having any planned capex and also expected adequate cash accruals against NIL repayments in medium term. The free cash and cash equivalents balance stood at Rs.0.13 crore as on March 31, 2024, while average working capital utilisation for the 12 months ended October 2023 remained moderate at ~67%. Current ratio stood at 1.52x as on March 31, 2024.

About the Company

AAPL was established in the year 2004 as a partnership firm under the name 'Aroma Agrotech'. Subsequently in the year 2009, the partnership firm was converted into private limited company and name was changed to AAPL. The company is engaged in processing,



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milling and exporting of basmati and non-basmati rice. AAPL is a family-owned company with Anil Kumar Garg, Praveen Garg, Sushil Kumar Garg and Vinod Kumar Garg as the directors in the company. The company majorly exports to Saudi Arabia and UAE, apart from a small proportion of domestic sales.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	926.31	1091.07
EBITDA	52.70	63.01
PAT	26.53	34.52
Total Debt	201.06	210.48
Tangible Net Worth	146.88	181.40
EBITDA Margin (%)	5.69	5.78
PAT Margin (%)	2.86	3.16
Overall Gearing Ratio (x)	1.37	1.16
Interest Coverage (x)	4.25	5.20

* 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 Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-23
					January 25, 2024	January 6, 2023	-
1.	Cash Credit	Long Term	10.00	IVR BBB+/Stable and Withdrawn	IVR BBB+/Stable	IVR BBB+/Stable	-
2.	FDB/FBE/BRD/EPC	Short Term	165.00	IVR A2 and Withdrawn	IVR A2	IVR A2	-
3.	Standby Export Limit / Standby Limit	Short Term	33.00	IVR A2 and Withdrawn	IVR A2	IVR A2	-



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Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-23
					January 25, 2024	January 6, 2023	-
4.	Forward Contract Limit	Short Term	9.48	IVR A2 and Withdrawn	IVR A2	IVR A2	-

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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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	10.00	IVR BBB+/ Stable and Withdrawn
FDB/FBE/BRD/EPC	-	-	-	-	165.00	IVR A2 and Withdrawn
Standby Export Limit / Standby Limit	-	-	-	-	33.00	IVR A2 and Withdrawn
Forward Contract Limit	-	-	-	-	9.48	IVR A2 and Withdrawn

Annexure 2: Facility wise lender details: Not applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.