



## Press Release

### Auro Sundram International Private Limited

July 09, 2024

#### Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	24.45	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities - Proposed	0.55	IVR A4+ (IVR A Four Plus)	-	Assigned	Simple
<b>Total</b>	<b>25.00</b> <b>(Rupees twenty- five crore only)</b>				

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

The ratings assigned to the bank facilities of Auro Sundram International Private Limited (ASIPL) considers the parent subsidiary relationship and close operational and financial linkages between ASIPL and Auro Sundram Foods and Feeds Private Limited (ASFFPL) commonly referred as Auro Sundram Group. The ratings also derive comfort from its experienced promoters, backward integration initiative through subsidiary and improved business performance of the group marked by improvement in total operating income and profitability in FY2024 (Provisional) (FY refers to the period from April 01 to March 31). However, these rating strengths are partially offset by its modest scale of operation, susceptibility of profitability to fluctuation in raw material and finished good prices, moderate capital structure and moderate debt protection metrics. Infomerics Rating believes that the company will maintain a 'Stable' outlook over the medium term on account of its experienced promoters and healthy demand of maize and its related products.

#### Key Rating Sensitivities:

##### Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure with improvement in debt protection metrics.

##### Downward Factors



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- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Moderation in the capital structure with moderation in the overall gearing to over 1x
- Withdrawal of subordinated unsecured loans impacting the capital structure and/or moderation in debt coverage indicators.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Experienced promoters

The current promoter of the group, Mr. Ashok Kumar Choudhary has an experience of more than three decades in agro business. The day-to-day operations of the company is managed by Mr. Ashok Kumar Choudhary along with adequate support from other directors and team of experienced professionals. The long-standing experience of the promoter have helped in establishing healthy relation with suppliers and customers.

##### Backward integration initiative through subsidiary

The company has incorporated a subsidiary, Auro Sundram Foods and Feeds Private Limited (ASFFPL) for dry maize milling, rice grit production and aqua feed manufacturing which are the main products for ASIPL. The manufacturing plant located in Forbesganj (Bihar), which is favourable for cultivation of maize. The crop is available in abundance in the area and the company will also benefit in terms of pricing as majority of the produce is sold to other states for processing.

##### Improved business performance of the group marked by improvement in TOI and profitability in FY24 (Prov.)

The total operating income of the group grew at a CAGR of ~24% during FY22 to FY24 (Prov.) i.e. from Rs. 68.65 crore in FY22 to Rs. 104.88 crore in FY24 (Prov.) with a y-o-y growth of ~15% in FY23 to Rs.79.10 crore due to increase in sales realization of maize as well as start of new business of sand mining in ASIPL. Despite improvement in revenue in FY23, the EBITDA margin had significantly deteriorated from 12.94% in FY22 to 4.47% in FY23 due to higher rice in raw material procurement price of maize. TOI further improved by ~33% in FY24 (Prov.) backed by improvement of sales volume of maize and sand mining in ASIPL as well as start of operation in ASFFPL from October 2023. In FY24 (Prov.) the EBITDA margin has improved to 16.29% with decline in raw material (mainly maize) procurement price. The PAT



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margin has moved in line with the EBITDA and improved from 0.59% in FY23 to 4.76% in FY24 (Prov.). On a standalone basis, ASIPL has earned a revenue of Rs. 87.53 crore with a PAT of Rs. 2.99 crore in FY24 (Prov.).

### **Key Rating Weaknesses**

#### **Modest scale of operation**

The group's modest scale of operation is reflected by its total operating income of Rs. 104.88 crore in FY24 (Prov.). Modest scale of operation restricts economies of scale of the companies. Further, the intense competition in the operating scenario restricts its pricing flexibility and exerts pressure on margins.

#### **Susceptibility of profitability to fluctuation in raw material and finished good prices**

The prices for maize and maize starch continue to fluctuate due to a number of factors, such as changes in the government's minimum support prices (MSP), real production levels, inflation, economic growth, and demand and supply conditions. As ASIPL presently trades in maize, its profitability will be impacted by the same given the volatility in raw material prices.

#### **Moderate capital structure with moderate debt protection metrics**

The capital structure of the group marked by overall gearing has deteriorated as on March 31, 2023, to 1.72x (0.29x as on March 31, 2022) due to avilment of GECL by ASIPL and higher utilisation of working capital borrowings during the year. However, as on March 31, 2024 (Prov.) (on considering subordinated unsecured loans as quasi equity), the gearing has improved to 0.95x with accretion of profits to reserve and scheduled repayment of term loan and GECL. The interest coverage deteriorated in FY23 to 1.80x as compared to 3.66x due to rise in interest charges coupled with decline in absolute EBITDA of ASIPL. In FY24 (Prov.) interest coverage has improved to 2.66x despite increase in interest charges because the group has witnessed a significant rise in absolute EBITDA with the commencement of operation in ASFFPL. On a standalone basis the overall gearing and TOL/TNW of ASIPL stood at 0.26x and 0.81x respectively as on March 31, 2024 (Prov.).

### **Analytical Approach: Combined**

For arriving at the rating, Infomerics Ratings has combined the financial risk profiles of Auro Sundram International Private Limited (ASIPL) and Auro Sundram Foods and Feeds Private Limited (ASFFPL) referred as Auro Sundram group as these entities are under a common



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management with a parent subsidiary relationship and have strong operational linkages and cash flow fungibility. Moreover, ASIPL has extended corporate guarantee to its subsidiary ASFFPL. The list of companies considered for consolidation are given in Annexure 4.

### **Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

[Consolidation of companies](#)

[Policy of default recognition](#)

[Criteria on complexity](#)

### **Liquidity – Adequate**

The liquidity profile of the group is expected to remain adequate marked by its expected satisfactory cash accruals in the range of Rs. 22.09 crore - Rs. 40.54 crore during FY25-FY27 vis a-vis its debt repayment obligations in the range of Rs. 4.96 crore – Rs. 6.41 crore. Moreover, the average fund-based utilisation of the group remains comfortable at ~64% for past 12 months ended March 2024 which provides sufficient liquidity cushion. Furthermore, on a standalone basis, ASIPL has an adequate liquidity position marked by current ratio of 1.43x as on March 31, 2024 (Prov.) and its average working capital utilisation remained comfortable at ~68% for past 12 months ended March 2024.

### **About the Group**

Auro Sundram Group comprises Auro Sundram International Private Limited (ASIPL) and Auro Sundram Foods and Feeds Private Limited (ASFFPL). The group is promoted by Mr. Ashok Kumar Choudhary along with his family members. Auro Sundram Foods and Feeds Private Limited (ASFFPL) is a wholly owned subsidiary of Auro Sundram International Private Limited (ASIPL). The company decided to set up the plant in ASFFPL to avail the Income tax benefits. The total cost incurred by ASFFPL for setting up of manufacturing unit for dry maize milling, rice grit production and aqua feed manufacturing was Rs.56.55 crore which was funded by term loan of Rs.32 crore and remaining through promoters' contribution. The land on which the manufacturing unit of ASFFPL was set up has been leased to ASIPL by BIADA for a period of 90 years.

### **About the Company**



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Auro Sundram International Private Limited (ASIPL) was incorporated in November 2006 by one Choudhary family of Bihar. The company remained dormant for few years and started commercial operation from 2017. Currently, the company is engaged in trading of maize and sand mining. Aurobindo Agro Ventures Pvt Ltd (AAVPL), an investment company, is the holding company of ASIPL, holding 91.49% share of ASIPL.

ASIPL has acquired a factory land of 35.65 acre at BIADA Industrial Estate in 2011 to set up a manufacturing plant of maize starch and liquid glucose. However, due to some unavoidable reason and arrival of covid in 2020, they had to discontinue this starch manufacturing unit project. Later, the promoters decided to set up a manufacturing unit for dry maize milling, rice grit production and aqua feed manufacturing in the same land under its wholly owned subsidiary ASFFPL which started operation from October 2023. This manufacturing unit is spread across around 5 acres area. ASIPL has also constructed around 1,80,000 sq. ft. (around 4 acre) warehouse for storage of maize and utilizing this warehouse to develop its supply chain of maize. ASIPL procures maize directly from farmers and supplies to starch and feeds manufacturers.

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	79.10	87.53
EBITDA	3.54	9.64
PAT	0.47	2.99
Total Debt	24.37	8.56
Tangible Net Worth	32.50	35.49
Adjusted Tangible Net Worth	12.50	32.40
EBITDA Margin (%)	4.48	11.01
PAT Margin (%)	0.59	3.42
Overall Gearing Ratio (x)	1.95	0.26
Interest Coverage (x)	1.88	2.12

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**





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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			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 2021-22
					-	-	-
1.	GECL	Long Term	2.45	IVR BB+; Stable	-	-	-
2.	Cash Credit	Long Term	22.00	IVR BB+; Stable	-	-	-
3.	Proposed Non-Fund Based Limit	Short Term	0.55	IVR A4+	-	-	-

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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.

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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
GECL	-	-	-	FY27	2.09	IVR BB+; Stable
GECL	-	-	-	FY25	0.36	IVR BB+; Stable
Cash Credit	-	-	-	-	22.00	IVR BB+; Stable
Proposed Non-Fund Based Limit	-	-	-	-	0.55	IVR A4+

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AuroSundram-International-july24.pdf>

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

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

Name of Company	Extent of Consolidation
Auro Sundram International Private Limited (ASIPL)	Full
Auro Sundram Foods and Feeds Private Limited (ASFFPL)	Full

**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](http://www.infomerics.com).