Press Release

Hydrise Foods Private Limited

December 13, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	100.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Total	**100.00 (Rupees Hundred Crore Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Hydrise Foods Private Limited (HFTL) derives strength from experienced management in edible oil trading industry, strong relationships with reputed customers ensuring repeated orders, growing scale of operations, comfortable capital structure and debt coverage indicators, stable working capital cycle as reflected by low debtors and inventory levels, favourable demand outlook for the edible oil sector in India and the Company's focus to HoReCa segment. The rating is however constrained on account of thin profitability margins, highly competitive and fragmented nature of the industry, and exposure to regulatory/ geopolitical risk.

Key Rating Sensitivities:

Upward Factors

- Improvement in the PBILDT margins on a consistent basis while achieving a steady growth in TOI.
- Sustenance of overall gearing improving to less than 1x, going forward.

Downward Factors

- Stretch in working capital cycle or large capital expenditure, weakening the financial risk profile, with TOL/TNW at more than 2.5x.

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management in edible oil trading industry**
  Hydrise Foods Private Limited was promoted by Mr. Anuj Kumar Agarwal and Mr. Akshay Mittal who has over 10 years and 8 years of experience respectively in edible oil and agro commodities business. Apart from directors, the company has a well experienced and qualified management team to execute and monitor the work undertaken for satisfactory completion. All the top management personnel have been hired from MNCs having good experience and in-depth knowledge in their respective fields.

- **Strong relationships with reputed customers ensuring repeated orders**
  The company enjoys strong relationships with its customers, which ensures repeated orders. Being in the business for such a long time, the company has established sources for raw material with a sizeable credit period of ~7 to 10 days only. Further the company has outstanding order books in hand amounting to Rs.242.84 crore as on November 30, 2022, which are likely to be executed in next 2-3 months thus providing revenue visibility for the short term period.

- **Growing scale of operation**
  Total operating income has grown at CARG of 33.31% from Rs.564.27 crore in FY20 to Rs.915.31 crore in FY21 and further to Rs.1002.79 crore in FY22(A) due to capability of the Company in maintaining good relations with the industry players coupled with back to back orders from clients. Further tangible networth stood at Rs.47.67 crore as on March 31, 2022. Moreover, during 7MFY23, the TOI continued to remain higher at Rs.713.20 crore which is about ~60% of projected income for FY23.

- **Comfortable capital structure and debt coverage indicators**

  The capital structure marked by overall gearing has deteriorated and stood at 1.09 times as on March 31, 2022 (vis-à-vis 0.60 times as on March 31, 2021) on account of higher utilization of its working capital limits as on balance sheet date. Further total outside liabilities to tangible net worth ratio also deteriorated and stood at 2.17 times as on March 31, 2022 (vis-à-vis 1.30 times as on March 31, 2021) on account of higher utilization of working capital limits coupled with increase in creditors amount from Rs.21.95 crore as on March 31, 2021 to Rs.46.50 crore as on March 31, 2022. However, the capital structure continues to remain at comfortable level. Debt coverage indicators marked by interest coverage ratio has improved and stood at 3.52 times in FY22 (vis-à-vis 3.32 times in FY21) due to improvement in operating profit, however total debt to gross cash accruals ratio has deteriorated and 9.00 times in FY22 (vis-à-vis 5.27 times in FY21) due to increase in debt level.

- **Stable working capital cycle**

  Company has a Stable working capital cycle as reflected in gross current asset (GCA) days of 39 days as on March 31, 2022 as compared to 44 days as on March 31, 2021, further GCA days are expected to be in the range of 55-60 days over the medium term.

- **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 to 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. While the consumption in the HoReCa segment was hindered due to the pandemic, it started increasing now with the slowing down of COVID-19 and reopening and recovery of economy. The Company has started focusing on expanding its business in HoReCa channel where profit margins are comparatively higher than the wholesale or manufacturing channel.

Key Rating Weaknesses

- **Operates on thin profitability margins**

  Owing to trading nature of business and low value addition the company operates on relatively low profitability margins, further operating profit margin has marginally improved by 33 bps and remained at 1.06% in FY22 (vis-à-vis 0.72% in FY21) due to savings in other operating expenses from Rs.5.40 crore in FY21 to Rs.2.59 crore in FY22. Owing to this net profit margin also improved stood at 0.55% in FY22 (as against 0.42% in FY21).

- **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:

Criteria of Rating Outlook | Infomerics Ratings

Rating Methodology on Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The liquidity profile of Hydrise Foods Private Limited is expected to remain adequate, as the company expected to generate sufficient cash accruals in the range of ~Rs.8.00 crore to Rs.12.00 crore for its projected figures to meet its repayment obligation which are very low. The liquidity is supported by above unity current ratio and free cash balance of about Rs.1.00 crore as on March 31, 2022. The working capital fund-based limits are utilized ~86% for the twelve months' period ended October 2022. The company has adequate gearing headroom for additional debt with an overall gearing of 1.09 times as on March 31, 2022. The interest coverage ratio and DSCR is healthy with 3.52 times and 1.89 times respectively during FY22.

About the Company

Hydrise Foods Private Limited (HFPL) is a Company incorporated on July 25, 2016 under the Companies Act, 2013. The registered office of the Company is located at Uttar Pradesh. The Company is promoted by Mr. Anuj Kumar Agarwal and Mr. Akshay Mittal and engaged into the business of bulk trading of various kind of edible oils namely Crude Degummed Soybean oil, Palm Refined Oil, Crude Palm Oil, Crude Rice Bran Oil, Soya Refined Oil, Rice Bran Refined Oil, Mustard loose Oil etc which are household consumable products with Indian consumers who use oils regularly as healthy cooking medium and sold to the various Institutional Buyers & Manufacturers of food products in FMCG Industry.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	915.31	1002.79
EBITDA	6.61	10.58
PAT	3.88	5.48
Total Debt	21.55	52.05
Tangible Net worth	36.21	47.67
EBITDA Margin (%)	0.72	1.06
PAT Margin (%)	0.42	0.55
Overall Gearing Ratio (times)	0.60	1.09

**Classification as per Infomerics standards*

Press Release

Status of non-cooperation with previous CRA: Brickwork Ratings India Private Limited in its press release dated June 20, 2022 has migrated the bank loan rating of Hydrise Foods Private Limited under Issuer Not Cooperating category due to delay in requisite information.

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	**Name of Instrument / Facilities**	**Type**	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2021-22**	**Date(s) & Rating(s) assigned in 2020-21**	**Date(s) & Rating(s) assigned in 2019-20**
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1.	Fund Based – Cash Credit	Long Term	100.00	IVR BBB- / Stable	–	–	–

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Cash Credit	–	–	–	100.00	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-HFPL-dec22.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 www.infomerics.com.