



## Press Release

Hydrise Foods Private Limited

Feb 26, 2024

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	100.00	IVR BBB- / Negative Outlook [IVR Triple B Minus with Negative Outlook]	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Rating reaffirmed and outlook revised	Simple
<b>Total</b>	<b>100.00 (Rupees Hundred Crore Only)</b>				

Details of Facilities are in Annexure 1

### Detailed Rationale:

Infomerics has revised the outlook to Negative from Stable while reaffirming the rating to the bank facilities of Hydrise Foods Private Limited (HFPL) due to increased total outside liabilities / tangible net worth (TOL/TNW) during FY23 coupled with expected moderation of operating profile during FY24. The rating continues to derive strength from efficient working capital management, strong relationships with customers ensuring repeated orders and experienced management in edible oil trading. The ratings are however constrained by moderate capital structure, highly competitive and fragmented nature of industry and exposure to geopolitical / regulatory risk.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained improvement in revenue and profitability and stable working capital cycle and improvement in TOL/TNW falling below 2.5x on a sustained basis.

#### **Downward Factors**

- Sustained declined in revenue and profitability and/or any deterioration in working capital cycle and/or TOL/TNW remaining above 3.5x on a sustained basis.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths:**

##### **Thin albeit improved margins:**

EBITDA margins have improved to 1.73% in FY23 as compared to 1.06% in FY22 due to execution of high-volume orders, while EBITDA margins further improved to 3.06% with higher proportion of revenue to the customers of higher volume. Ability to maintain the margins at the current levels would be the key monitorable.

##### **Efficient working capital management:**

HFPL has efficient working capital management reflected net working capital cycle of 51 days in FY23 (FY22:26 days). Net working capital has slightly increased due to increase in receivable days which has increased to 55 days in FY23 as compared to 33 days in FY22 as well as increase in inventory days (FY23: 20 days, FY22: 6 days). Collection period increased as HFPL sold its products to the clients who takes higher volume, thus requires higher credit period. Infomerics expects despite this strategy HFPL net working capital cycle is expected to remain at the comfortable levels through FY24-FY26.



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### **Strong relationships with customers ensuring repeated orders.**

HFPL enjoys strong relationships with its customers, which ensures repeated orders. Further HFPL has outstanding order books in hand amounting to Rs. ~557 crores as on December 31, 2023, which are likely to be executed in next ~3 months thus providing revenue visibility for the short-term period.

### **Experienced management in edible oil trading industry**

HFPL is 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 HFPL has experienced and qualified management team to execute and monitor the work undertaken for satisfactory completion.

### **Key Rating Weaknesses**

#### **Expected declined in scale of operations:**

HFPL's revenue is expected to decline significantly as compared to FY23 (Rs.1002.9 crore) due to lower realization and till 9MFY24 HFPL has achieved revenue of Rs.420 crore.

#### **Moderate capital structure:**

HFPL's TOL/TNW has deteriorated to 3.82x in FY23 as compared to 2.17x in FY22 due to higher working capital borrowings during 4QFY23, simultaneously overall gearing has also deteriorated to 1.75x (FY22:1.09x). TOL/TNW has also impacted due to security advances taken from the customers. As per management, TOL/TNW as well as overall gearing is expected to improve from FY24 with expected improvement in profitability coupled with efficient working capital management.

#### **Highly competitive and fragmented nature of the industry:**

The industry for edible oils in India is characterized by intense competition, marked by the presence of numerous small-scale participants alongside established players. Additionally, HFPL faces challenges in maintaining substantial profit margins, given the trading-oriented nature of its operations, which lack value addition.



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### **Exposure to regulatory/ geopolitical risk:**

India continues to rely on imported edible oils from nations such as Indonesia, Malaysia, Ukraine, Russia, etc. Any complications in these producing countries, such as export bans, geopolitical events like war, or poor crop yields, have the potential to disrupt the supply of raw materials and trigger a surge in prices. The Indian Government also exerts control over edible oil imports through measures like import duty and agri-cess, introducing a regulatory risk for industry participants.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

[Criteria for assigning rating outlook](#)

[Rating Methodology for Trading Companies](#)

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

[Criteria for Default Recognition](#)

### **Liquidity – Adequate**

HFPL's liquidity profile remained adequate reflected by gross cash accruals (GCA) of INR 6.36 crores HFPL's current ratio stood at 1.45x as on 31<sup>st</sup> March 2023. Also, cash and cash equivalent stood at Rs. 1.93 crores as on 31<sup>st</sup> March 2023.

### **About the Company**

HFPL is a private limited company incorporated on July 25, 2016, located in Noida, 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 among others.



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### Financials (Standalone)\*:

	(Rs. Crore)	
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	1002.79	1002.90
EBITDA	10.58	17.35
PAT	5.48	5.86
Total Debt	52.05	102.78
Tangible Net worth	47.67	58.60
EBITDA Margin (%)	1.06	1.73
PAT Margin (%)	0.55	0.58
Overall Gearing Ratio (times)	1.09	1.75

\*Classification as per Infomerics standards

**Status of non-cooperation with previous CRA:** Brickwork Ratings India Private Limited vide its press release dated Dec 19, 2022, has continued the bank loan rating of HFPL under issuer not cooperating category due to delay in requisite information.

**Any other information:** None

### Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating – Feb 26 2024	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
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1.	Fund Based – Cash Credit	Long Term	100.00	IVR BBB- / Negative	IVR BBB- / 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).

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 visit [www.infomerics.com](http://www.infomerics.com).

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### 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- / Negative

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Hydrise-Foods-feb24.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](http://www.infomerics.com).