



Press Release

Modi Naturals Limited

February 21, 2024

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facility	55.00	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	Reaffirmed with revision in outlook from Positive to Stable	Simple
Short-Term Bank Facility	10.00	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	65.00 (INR Sixty-Five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Modi Naturals Limited (MNL) continues to derive strength from its experienced promoters, presence of established brand with strong marketing and selling networks coupled with locational advantage of the plant. Further, the ratings also consider completion of project under its wholly owned subsidiary Modi Biotech Private Limited (MBPL) which will drive the consolidated earnings of the company going forward and support from central government initiatives in Ethanol Blended Petrol (EBP) programme. The ratings also note its average capital structure and infusion of further capital during FY24 through conversion of warrants into equity shares. However, these rating strengths remain partially offset by moderation in its operational performance in FY23 along with average debt protection metrics. Further, the ratings continue to remain constrained by intense competition in the industry resulted in thin operating margin, vulnerability of profitability to fluctuations in prices, exposure to agro-climatic risks and regulatory risk. The outlook has been revised from positive to stable due to lower-than-expected business performance of the company till 9MFY24. Infomerics believes that the company may not be able to achieve its envisaged business performance in FY24 as submitted to Infomerics Ratings at the time of last review.



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Key Rating Sensitivities:

Upward factors

- Growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals and liquidity
- Improvement in the capital structure with sustained improvement of debt protection metrics

Downward Factors

- Dip in operating income and/or moderation in profitability impacting the debt coverage indicators
- Moderation in overall gearing to more than 2x times and any moderation in interest coverage ratio to below 1.5x
- Elongation of the working capital cycle leading to deterioration in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Experienced promoters**

The company is promoted by Mr. Anil Modi (Chairperson & Managing Director), having experience of more than four decades in the business of edible oils and other food products. His rich experience along with support of other directors help the organisation to build established brand. The promoters are actively involved in managing the day-to-day affairs of the company along with the support of experienced and qualified professionals.

- **Established brand with strong marketing and selling networks**

The company sells edible oil and other allied products under the brand name Oleev Olive oil, Oleev Active Multisource oil (Blend of Olive oil and Rice Bran Oil), Oleev Health Multisource oil, Oleev Smart Multisource oil, Rizolo Rice bran oil, Olivana Olive Oil, Miller Canola Oil, PIPO Popcorn, PIPO Peanuts, Oleev Kitchen Pasta, Oleev Kitchen Peanut Butter and JYNX Instant Drink Mix etc. The company has developed a pan-India distribution network across all channels of FMCG. Further, the Company is also present on various popular e-commerce platforms. Moreover, the company has wide distribution channel to cover 3,000 organized modern retail outlets and has around 450 distributors pan India with a direct reach of about 50,000 retail stores.



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- **Locational advantage**

The manufacturing facilities of MBPL will be in Raipur District of Chhattisgarh. The area has sufficient availability for rice which provides easy availability of Grains to run a grain-based distillery. Accordingly, proximity to the source of raw materials & end user market provides a competitive edge. This apart, the area is well connected by road and rail.

- **Completion of project under MBPL**

From December 2023, the wholly owned subsidiary Modi Biotech Private Limited has commenced its operation which would be engaged in producing grain-based ethanol. Further, Modi Biotech Private Limited (MBPL) has successfully secured an order for 3.72 crore litres of ethanol, with an estimated value of approximately Rs.240 Crore, from various Oil Manufacturing Companies (OMCs) including Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL).

- **Average capital structure**

MNL had a comfortable net worth base which stood at Rs.83.30 crore as on September 30, 2023. The overall gearing of the company continues to remain comfortable at 1.78x as on September 30, 2023. During FY24, MNL has converted 6,50,000 warrants into equivalent number of equity shares which has boosted the net worth by ~Rs.13.45 crore. As on September 30, 2023, the TOL/TNW of the company stood at 2.19x.

- **Policy initiatives by the Government**

In January 2013, the Union government launched the Ethanol Blended Petrol (EBP) programme, which made it mandatory for oil companies to raise ethanol blending in petrol to 25% by 2025 from the current ~5%. In lieu of the above developments and also given that the government currently does not allow import of ethanol for fuel blending, the outlook appears bright for this industry.

Key Rating Weaknesses:

- **Moderation in business performance in 9MFY24**

The company has witnessed moderation in its business performance in Q3 FY24 due to reduction in edible oil prices leading to inventory loss. Further with the commencement of operation in Modi Biotech Private Limited, the overhead cost has gone up. To support the operations of MBPL, the company has availed fresh working capital borrowing which has



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increased the finance cost as well. Till 9M MNL has generated revenue of ~Rs.280.02 crore against Rs.307.55 crore in the same period of the corresponding year with a net loss of Rs.2.63 crore against profit of Rs.3.38 crore of 9M FY23.

- **Average debt protection metrics**

With moderation in topline coupled with inventory loss, the absolute EBITDA in 9MFY24 has moderated and stood at Rs.3.50 crore against Rs.7.36 crore of 9MFY23. Further with increased finance cost, the debt protection metrics marked by interest coverage ratio has deteriorated and stood below unity at 0.81x in as on December 31,2023. Till 9M FY24, MNL has reported cash loss of Rs.0.15 crore.

- **Intense competition in the industry result in thin operating margin**

The edible oil industry in India is characterized by intense competition and fragmentation, with the presence of a large number of edible oil refineries and low entry barriers. As a result of high competition and fragmentation, profit margins in the edible oil business tend to remain thin.

- **Vulnerability of profitability to fluctuations in prices, exposure to agro-climatic risks and regulatory risk**

The company is vulnerable to agro-climatic risks, considering the availability and prices of its raw materials depend on climatic conditions. Further, the company deals in edible oils, the prices of which are regulated by the government on a continuous basis. The products come under the Essential Commodities Act, where stocking and price levels are tightly controlled. The company's profitability is also vulnerable to the regulatory changes with respect to imported raw materials. MNL is also exposed to the risks emerging from geo-political issues due to its reliance on import of raw materials.

Analytical Approach: Consolidated.

For arriving the rating Infomerics has taken consolidated approach as the company has one wholly owned subsidiary namely Modi Biotech Private Limited (MBPL) controlled by the same management. Further, Modi Naturals Limited has also extended corporate guarantee to MBPL. The lists of companies considered for consolidation are given in Annexure 3s

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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



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[Criteria of assigning rating outlook](#)

[Consolidation of Companies](#)

[Criteria on default recognition](#)

[Criteria on complexity](#)

Liquidity: Stretched

The liquidity of the company is expected to remain stretched in the near term due to weak business performance in Q3FY24. The company has witnessed cash loss in Q3FY24. However, the average working capital utilization of the company remained moderate at ~70% as confirmed by the lenders indicating sufficient liquidity buffer.

About the Company

Delhi based Modi Naturals Limited (MNL) was incorporated in 1974 and it is engaged in manufacturing and distribution of edible oils and FMCG products. MNL is listed in Bombay Stock Exchange and it has four production facilities in India. Out of four manufacturing facilities, two units are located at Pilibhit Uttar Pradesh, one unit in Hyderabad, Telangana, and one in Sonipat, Haryana. During FY22, the company incorporated a wholly owned subsidiary, Modi Biotech Private Limited. Modi Biotech Private Limited has setup a 110 KLPD grain-based ethanol distillery along with 5.5 MW captive power generation plant on a land measuring 24 acres, in Village Bhilai, PH no. 59, Tehsil Arang, District Raipur, Chhattisgarh. The company commenced its commercial production in October 2023.

Financials of Modi Naturals Limited (Consolidated):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023	9MFY24
	Audited	Audited	Unaudited
Total Operating Income	474.30	417.96	280.02
EBITDA	14.71	5.03	3.50
PAT	9.37	1.07	(2.64)
Total Debt	51.05	142.50	-
Tangible Net worth	77.18	81.72	-
EBITDA Margin (%)	3.10	1.20	1.25
PAT Margin (%)	1.97	0.25	(0.94)
Overall Gearing Ratio (x)	0.66	1.74	-
Interest Coverage	8.89	1.50	0.81

*Classification as per Infomerics' standards.



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Financials of Modi Naturals Limited (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023	9MFY24
	Audited	Audited	Unaudited
Total Operating Income	474.30	417.96	273.05
EBITDA	15.07	5.53	3.56
PAT	9.40	1.17	(0.52)
Total Debt	50.96	49.40	-
Tangible Net worth	77.22	81.87	-
EBITDA Margin (%)	3.18	1.32	1.30
PAT Margin (%)	1.98	0.28	(0.19)
Overall Gearing Ratio (x)	0.66	0.60	-
Interest Coverage	7.62	1.47	1.09

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CARE Edge Ratings has moved the rating under Issuer not co-operating category vide press release dated December 01, 2023, due to non-cooperation from the company.

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Jan 04, 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
1	Cash Credit	Long Term	55.00	IVR BB+/ Stable	IVR BB+/ Positive	-	-	-
2.	Letter of Credit/ Bank Guarantee	Short Term	10.00	IVR A4+	IVR A4+	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com



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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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits –Cash Credit	-	-	-	55.00	IVR BB+/ Stable



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Short Term Non-Fund Based Limits – LC/ Bank Guarantee	-	-	-	10.00	IVR A4+
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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Modi-Naturals-feb24.pdf>

Annexure 3: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Modi Naturals Limited	Full Consolidation
Modi Biotech Private Limited	Full Consolidation

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