



## Press Release

### Universal Infra & Agri Oils Private Limited

January 31, 2023

Rating	Facilities	Amount (Rs. crore)	Rating	Rating Action	<u>Complexity Indicator</u>
	Long Term Bank Facilities	26.75 (Enhanced from rs.25.00 Crore)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
	<b>Total</b>	<b>26.75 INR Twenty- Six crore and Seventy Five Lakh Only</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The reaffirmation of the rating assigned to the bank facilities of Universal Infra & Agri Oils Private Limited (UIAOPL) continues to derive comfort from longstanding experience of its promoters in manufacturing and trading of edible oil, location specific benefits with strong procurement network and its established brand name. The rating also notes its stable operating performance and satisfactory capital structure with moderate debt protection metrics. However, these rating strengths continues to remain constrained due to exposure of the company to intense competition with low entry barriers in the operating spectrum, thin profit margin and exposure to agro-climatic & geographical concentration risk. The outlook remains positive on account of expected improvement in its financial performance in the near term driven by high demand of edible oils.

#### **Key Rating Sensitivities**

##### **Upward Rating Factor**

- 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 improvement in TOL/TNW to below 2x
- Improvement in the debt protection metrics on a sustained basis.

##### **Downward Rating Factors**



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- Dip in operating income and/or moderation in profitability impacting the debt coverage indicators.
- Deterioration in working capital management impacting the liquidity.
- Moderation in overall gearing to more than 2x times.

### **Detailed description of the key rating drivers**

#### **Key Rating Strengths**

##### **Experienced promoters**

The company is managed by the promoter directors Mr. Subhash Chandra Gupta along with his son Mr. Hasrh Mohan Gupta and relative Mr. Dilip Kumar Jalan. The promoters have an experience of over a decade in agri-based commodity business by virtue of their association with group companies. 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**

The company sells rice bran oil and other allied products under the brand name 'Rishta' which is well established in Odisha and provides a competitive edge to the company against unorganized players.

##### **Location specific benefits with strong procurement network**

The company has strategically placed its plant at Khodha district, Odisha where its key raw material i.e., rice bran is abundantly available from the nearby rice mills. This gives the company an edge to procure key raw materials at economical costs. The company procures rice bran directly from the nearby rice mills which enables it to build long term relationship with the raw material suppliers and also results in reduction of freight cost.

##### **Stable operating performance**

The operating performance of the company continues to remain stable in FY22. However, the total operating income of the company has moderated by 4.91% from Rs.194.58 crores in FY21(A) to Rs.184.85 crore in FY22(A) due to decline in production of refined oil and DORB. As production mainly dependent on the availability of Paddy. In H1FY23 the company has achieved a revenue of ~Rs.133 crore.

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



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The capital structure of the company continues to remain satisfactory as on March 31,2022. The debt equity ratio and overall gearing ratio stood comfortable at 0.38x and 1.36x respectively as on March 31,2022 (0.42x and 1.32x respectively as on March 31, 2021). Total indebtedness of the company remained comfortable marked by TOL/TNW at 2.09x as on March 31,2022. The debt protection metrics of the company as indicated by interest coverage ratio has improved from 2.56x in FY21 to 2.63x in FY22, on the back of lower interest cost. Further, Total debt to EBITDA and Total debt to GCA remained moderate 5.17x and 9.19 years respectively as on March 31,2022.

### **Key Rating Weaknesses**

#### **Intense competition with low entry barriers**

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.

#### **Thin profit margins**

The company is majorly involved in manufacturing of rice bran oil which is a low value additive product. Further, the company is also engaged in trading of mustard oil where margins are relatively low. The EBITDA and PAT margin of the company stood thin at 3.38% and 0.78% respectively in FY22.

#### **Exposure to agro-climatic risks**

The company is vulnerable to agro-climatic risks, considering the availability and prices of its raw materials depend on climatic conditions.

#### **Geographical concentration risk**

The revenue profile of the company is geographically concentrated with significant proportion of revenue being generated over the years has been from the state of Odisha. However, in the recent years the company is diversifying geographically and has started small amounts of sales in Jharkhand and Chhattisgarh.

**Analytical Approach:** Standalone.

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)



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### Liquidity Position: Adequate

The liquidity of the company appears to be adequate marked by its sufficient cash accruals vis-à-vis its debt repayment obligations in the near to medium term. Further, with moderate overall gearing of 1.36x as on March 31, 2022, the company has moderate gearing headroom. The current ratio remained comfortable at 1.30x as on March 31, 2022. The average working capital utilisation remained satisfactory at ~81% during the past twelve months ended November 2022 indicating an adequate liquidity buffer.

### About the Company

Universal Infra & Agri Oils Private Limited (UIAOPL) is promoted by Bhubaneswar, Odisha based Gupta family and is engaged in manufacturing of rice bran oil. The company also does trading of mustard oil. The manufacturing unit of the company is located at Khordha district of Odisha with an installed capacity of 350 TPD solvent extraction and 100 TPD refinery. The company sells its products under the brand name 'Rishta' and its product is ISO 9001-2015 certified. The company majorly has presence in Odisha. However, the company also sells small amounts of its product in Jharkhand and Chhattisgarh as well.

### Financials (Standalone)

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	194.58	184.85
EBITDA	6.80	6.25
PAT	1.37	1.45
Total Debt	29.52	32.33
Tangible Net worth	22.35	23.79
EBITDA Margin (%)	3.50	3.38
PAT Margin (%)	0.71	0.78
Overall Gearing Ratio (x)	1.32	1.36
Interest Coverage Ratio (x)	2.56	2.63

*\*Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** CARE Edge rating has moved the rating into issuer not cooperating category vide its press release dated December 16, 2021 due to non-submission of information by the company.

**Any other information:** Nil



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	
1.	Cash Credit	Long Term	25.00	IVR BB+/Positive	IVR BB+/Positive (Nov 02, 2021)	IVR BB+/Positive (Oct 28, 2021)	-	-
2.	Term Loan	Long Term	1.75	IVR BB+/Positive	-	-	-	-

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### About Infomerics:

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.

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



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For more information visit <https://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
Cash Credit	-	-	-	25.00	IVR BB+/ Positive
Term Loan	-	-	Nov 2026	1.75	IVR BB+/ Positive
<b>Total</b>				<b>26.75</b>	

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-UIAOPPL-jan23.pdf>

### Annexure 3: List of companies considered for consolidated analysis: Not Applicable

### 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 <https://www.infomerics.com>.