



Infomerics Valuation And Rating Pvt. Ltd

Press Release

India Mega Agro Anaj Limited

May 17, 2018

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based Limits -Cash Credit	137.30	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)
2.	Long Term Bank Facilities - Term Loan	58.60	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)
	Total	195.90	

Details of Facility are in Annexure 1

Detailed Rationale

The aforesaid ratings derive comfort from the healthy growth of operations backed by increasingly diversified product portfolio, experienced promoters & established distribution network, established clientele and supplier base and satisfactory debt protection parameters. The rating also takes into consideration high gearing levels, moderation in profitability in the recent past, moderate working capital cycle, presence of key man risk and intense competition in Food Processing industry and high volatility in agro commodities. Gearing levels, profitability and working capital management are the key rating sensitivities.

List of Key Rating Drivers

- Healthy growth of operations backed by increasingly diversified product portfolio
- Experienced promoters & established distribution network
- Established clientele and supplier base
- Satisfactory debt protection parameters
- High gearing levels
- Moderation in profitability in the recent past
- Moderate working capital cycle
- Presence of key man risk
- Intense competition in Food Processing industry and high volatility in agro commodities



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Detailed Description of the Key Rating Drivers

Key Rating Strengths

Healthy growth of operations backed by increasingly diversified product portfolio

Total revenue grew at compound annual growth rate of 63% over last three years from Rs. 133.6 crores in FY15 to Rs. 357 crores in FY17. This was primarily backed by diversified product portfolio on account of phase wise stabilisation of new manufacturing units like flour mill (2014), cattle-feed (2015), dal & rice milling units (2016) and oil and refinery (2017). The revenue growth is expected to sustain over medium term with addition of new products in FY19.

Experienced promoters & established distribution network

The promoter, Mr. Ajay Kumar Baheti has experience for more than 15 years in the line of agro products and processing. He has set up different units like flour mill, dal & rice mill and edible oil refinery successfully over the last 5 years in this company. Mr. Baheti is the pioneer in setting up a mega food plant in Nanded. He was recently felicitated by the District Collector of Nanded for being an innovative and progressive entrepreneur.

IMAA has established network of over 100 distributors spread over Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Madhya Pradesh and Tamil Nadu, which has facilitated the company to ramp up its operations over the years.

Established clientele and supplier base

The clients of the company are diversified across the states of Maharashtra, Andhra Pradesh, Telangana, Tamil Nadu, Gujarat, Rajasthan, Karnataka and Madhya Pradesh. The top ten clients accounted for 38% of total sales in FY17. The company also has a wide supplier base with top ten suppliers accounting for 34% of raw material purchases in FY17.

Satisfactory debt protection parameters

Despite the company undertaking capital expenditure on regular basis, it has managed to contain its long term debt to equity ratio well below unity. Further, the debt protection parameters appear comfortable as reflected by interest coverage ratio of 1.92x. Also the Long-term Debt/EBIDTA at 0.92 and Long-term Debt/GCA at 1.93 appear satisfactory.



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Key Weaknesses

High gearing levels

The overall gearing of the company was high at 2.06x as on March 31, 2017 and was range bound over the last three years due to gradual repayment of loans, on one hand, and undertaking capital expenditure on regular basis, on the other. The promoters have infused fresh capital of Rs.26.6 crores in the current year (FY18) for the planned capital expenditure.

Moderation in profitability in the recent past

The company's EBIDTA margin has reduced from 7.06% in FY16 to 6.21% in FY17 and has further fallen to 5.57% during 9MFY18 on account of price volatility in agro commodities arising out of fragmented nature of the industry and increase in overheads on account of capital expansion. However, profitability levels are expected to improve with increase in scale of operations.

Moderate working capital cycle

The inventory holding period and receivables collection period of 51 days each coupled with low creditor days has led to a moderate working capital cycle of around 90-100 days during the last two financial years. However, the average working capital utilization was comfortable at around 73% for the last twelve months period ended February 2018.

Presence of key man risk

The operations of IMAA are mainly overseen by the promoter, Mr. Ajay Baheti. This imparts a degree of key man risk to the operations of the company.

Intense competition in Food Processing industry and high volatility in agro commodities

The food processing industry is characterised by stiff competition from presence of large unorganised players. This puts pressure on the margins of the organised players. The raw materials which constitute a major portion of the total cost are susceptible to fluctuations in production due to vagaries of nature (monsoon).



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Analytical Approach & Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

About the Company

India Mega Agro Anaj Ltd. (IMAA) was established in 2010 with a mission to develop the food processing industry on a large scale, being one of the priority areas for governments to boost the Agriculture Sector. The Company has successfully achieved a Mega Status from Government of Maharashtra providing benefits including Sales Tax Exemption, Stamp Duty Exemption, Electricity Duty, PF Reimbursement, etc. The company has land of 1,00,212 sq. metres at 5 Star MIDC, Krushnoor, Dist. Nanded, Maharashtra. The company is supplying its products to various states such as Andhra Pradesh, Telangana, Tamil Nadu, Maharashtra, Karnataka, Pondicherry etc., whereas raw materials are procured from Rajasthan, Madhya Pradesh, Chhattisgarh and Andhra Pradesh. The company has also been awarded as the best company in Agro based sector by Government of Maharashtra.

The company is producing flour, chana dal, tur dal, moong dal, all types of rice, cattle-feed, edible oils, biscuits and bread. The company is marketing its products under Ever Fresh brand and Perfect brand.

Financials

(Rs. Crores)

For the year ended / As on	31-03-2016	31-03-2017
	Audited	Audited
Total Operating Income	246.7	357.0
EBITDA	17.4	22.2
PAT	6.5	5.0
Total Debt	73.9	95.7
Tangible Net Worth	39.1	46.4
Ratios		
a. EBITDA Margin	7.06	6.21



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b. PAT Margin	2.65	1.40
c. Overall Gearing ratio	1.89	2.06

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A

Disclosure:

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating (s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Term Loan	Long Term	58.60	IVR BBB+/Stable Outlook	--	--	--
2.	Fund Based Facilities- Cash Credit	Long Term	137.30	IVR BBB+/Stable Outlook	--	--	--

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually



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widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crores)	Rating Assigned/ Outlook
Long-Term Bank Facilities- Term Loan	-	-	May 2026	58.60	IVR BBB+/Stable Outlook
Long Term Fund Based Facilities- Cash Credit	-	-	-	137.30	