

Press Release

Annapurna Agro Products

March 19, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 16.00 crore bank facilities of Annapurna Agro Products (AAP). The outlook is '**Stable**'.

Solapur based, AAP was established in 2015 by four partners, namely, Mr. Irappa B Salakki, Mr. Gurushant S Dhange, Mr. Gurusiddhappa B Hanamshetti and Mr. Arvind G Salakki. The firm is engaged in processing of toor dal. The commercial operations begin from July 2017.

Analytical Approach

Acuite has considered standalone business and financial risk profile of AAP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The partners of AAP have been in the food grain trading business for more than two decades. The extensive experience of the management in the agro industry will help in expanding the operations of the firm over the long term.

Weaknesses

- **Weak financial risk profile**

The financial risk profile of AAP is weak reflecting from low net worth and high debt borrowing. The total debt of the firm stood at Rs.13.53 crore as compared to negative net worth of Rs.0.17 crore as on March 31, 2018. The firm has low interest coverage ratio (ICR) of 0.57 times and debt service coverage ratio (DSCR) of 0.57 times for FY18. The firm is expected to improve its risk profile over the medium term in the absence of debt funded capex.

- **Nascent stage of operations**

The firm delayed in commencement of operations by approximately six months. The commercial operations begin from July 2017. The firm operates in highly competitive and fragmented industry which limits its bargaining power. Acuite believes that the firm's ability to scale up operations will remain crucial to maintain a stable credit risk profile.

Liquidity Position

AAP has stretched liquidity position. However, Acuite expects the firm to meet its maturing debt obligations of Rs.1.71 crore on the basis of expected positive net cash accruals during FY19 along with support from partners in the form of capital and unsecured loan on need based model of funding. The liquidity of the firm is likely to remain stretched over the medium term on account of nascent stage of operations and will rely on the ability of the promoters and AAP to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuite believes that AAP will maintain 'Stable' outlook over the medium term from the experience of management in agro industry. The outlook may be revised to 'Positive' if timely stabilisation of operations helps increase sales and cash accrual. Conversely, the outlook may be revised to 'Negative' if there is delay in ramp-up of operations, low accrual, or large working capital requirement weakens the financial risk profile, particularly liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	16.60
EBITDA	Rs. Cr.	0.50
PAT	Rs. Cr.	-1.50
EBITDA Margin	(%)	3.04
PAT Margin	(%)	-9.02
ROCE	(%)	-8.72
Total Debt/Tangible Net Worth	Times	-81.43
PBDIT/Interest	Times	0.57
Total Debt/PBDIT	Times	26.08
Gross Current Assets (Days)	Days	154

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jan-2018	Long Term Loan	Long Term	7.30	ACUITE B / Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE B / Stable (Reaffirmed)
	Proposed Long Term	Long Term	0.70	ACUITE B / Stable (Assigned)
03-Oct-2016	Proposed Long Term Loan	Long Term	8.00	ACUITE B / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	8.00	ACUITE B / Stable (Reaffirmed)
27-Nov-2015	Term Loan	Long Term	8.00	ACUITE B / Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE B / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.74	ACUITE B/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B/Stable (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	2.26	ACUITE B/Stable (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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