

Press Release

20 December, 2017

VANTAGE ORGANIC FOODS PRIVATE LIMITED (VOFPL)

Rating Assigned

Total Bank Facilities Rated *	Rs.5.00 cr
Long Term Rating	SMERA BB+/ Outlook: Stable

Refer Annexure for details



Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.5.00 crore bank facilities of Vantage Organic Foods Private Limited (VOFPL). The outlook is '**Stable**'.

VOFPL, incorporated in 2008, is a Jaipur based company promoted by Mr. Vipul Gupta, Ms. Sheetal Gupta and Mr. Mani Ram Gupta. The company is engaged in the manufacture, trading and export of organic food ingredients used as poultry and cattle feed.

The company extracts oil from soya seeds and manufactures de-oiled cakes from husk. The extracted oil is sold to oil refineries in Madhya Pradesh which comprises ~10.00 percent of the revenue while the husk is used to manufacture organic food ingredients, which are exported to Canada, USA, UAE etc. The company derives around 90.00 percent revenue from exports. VOFPL mainly caters to poultry and cattle feed manufacturing companies. The manufacturing unit is located at Indore, Madhya Pradesh with installed capacity of 100 metric tonnes per day.

Key Rating Drivers

Strengths

Experienced management

VOFPL is a Jaipur-based company, incorporated in 2008. The promoters have decades of experience in the aforementioned business. This has helped build healthy relations with customers and suppliers.

Improved profitability

The operating margin improved to 5.57 percent in FY2017 from 3.86 percent in FY2016 and 2.40 percent in FY2015 as a result of increase in manufacturing activity compared to trading. In FY2017, around 97.51 per cent of the revenue was generated from manufacturing (81.69 per cent in FY2016) and 2.48 per cent from trading (18.30 per cent in FY2016).

Weaknesses

Uneven scale of operations

The operating income stood at Rs.60.46 crore for FY2017 as against Rs.68.30 crore in FY2016 and Rs.61.07 crore in FY2015. The company registered revenue of ~Rs. 60.00 crore from April 2017 to October 2017. Since ~90.00 percent revenue is derived through exports, the operating income is susceptible to volatility in forex rates resulting in uneven scale of operations.

Agro climatic risks

Soya seeds, the main raw material for the company is a seasonal crop, the prices of which are highly volatile and depend upon various factors including monsoon, acreage under cultivation, government regulations etc. As a result, the company's profit margins are exposed to agro climatic risks.

Average financial risk profile

VOFPL has low net worth of Rs.6.24 crore as on 31 March, 2017 against Rs.4.50 crore as on 31 March, 2016. The gearing (debt-to-equity) stood high at 2.72 times as on 31 March, 2017 against 2.68 times as on 31 March, 2016. The total debt of Rs.16.95 crore mainly comprises working capital borrowings. Further, the coverage indicators stood comfortable with Interest Coverage Ratio (ICR) of 6.38 times for FY2017.

Working capital intensive operations

VOFPL has high Gross Current Assets (GCA) days of 122 for FY2017 as against 64 for FY2016. This is mainly on account of piling up of inventory. The inventory days stood at 59 for FY2017 and 11 for FY2016. Further, the debtor days stood at 63 for FY2017 against 53 days for FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of VOFPL to arrive at the rating.

Outlook: Stable

SMERA believes that VOFPL will maintain a stable outlook in the medium term on the back of extensive experience of the promoter in the business. The outlook may be revised to 'Positive' if VOFPL achieves higher than expected revenue while improving its profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	60.46	68.30	61.07
EBITDA	Rs. Cr.	3.37	2.63	1.47
PAT	Rs. Cr.	1.74	1.36	0.52
EBITDA Margin	(%)	5.57	3.86	2.40
PAT Margin	(%)	2.88	1.99	0.85
ROCE	(%)	16.03	21.44	34.62
Total Debt/Tangible Net Worth	Times	2.72	2.68	1.51
PBDIT/Interest	Times	6.38	5.31	3.23
Total Debt/PBDIT	Times	4.78	4.24	2.84
Gross Current Assets (Days)	Days	122	69	53

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entity in Manufacturing Sector - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+ / Stable

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ABOUT SMERA

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