

Press Release

Vantage Organic Foods Private Limited

July 06, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 27.00 Cr. (enhanced from Rs. 5.00 Cr.)
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) on the Rs. 5.00 crore bank facilities of Vantage Organic Foods Private Limited. The outlook is '**Stable**'.

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) on the Rs. 22.00 crore bank facilities of Vantage Organic Foods Private Limited. The outlook is '**Stable**'.

Vantage Organic Foods Private Limited (VOFPL) was incorporated in 2008 at Jaipur (Rajasthan) by Mr. Vipul Gupta, Ms. Sheetal Gupta and Mr. Mani Ram Gupta. VOFPL is engaged in the business of manufacture and export of organic feeds ingredients. The company extracts oil from soya seeds and manufacture de-oiled cakes (DOC) and poultry and cattlefeeds.

Key Rating Drivers

Strengths

- **Experienced management**

VOFPL is a Jaipur-based company incorporated in 2008 engaged in manufacture and exports of organic feeds ingredients. The Promoters, Mr. Vipul Gupta, Ms. Sheetal Gupta and Mr. Mani Ram Gupta, have more than a decade of experience in aforementioned business. This has helped in building healthy relationship with its customers and suppliers.

- **Improved revenues**

VOFPL has operating income of 119.49 percent for FY2018 as against 60.49 percent for FY2017 and 68.30 percent for FY2016. Operating revenues has improved on account of production activity started at its own plant situated at Madhya Pradesh from January 2017 with installed capacity of 100 Metric Tonnes per day, from existing capacity of 60 Metric Tonnes per day. Erstwhile, the manufacturing activity was held at a plant taken on lease situated at Madhya Pradesh.

- **Comfortable working capital cycle**

VOFPL has high Gross Current Assets of 62 days for FY2018 as against 122 days for FY2017. This is mainly on account of inventory days of 21 and debtor days of 35 for FY2018. Further, Working Capital Cycle (WCC) stood at 43 days for FY2018 as against 94 days for FY2017. Average utilisation of working capital borrowing stood at ~80.00 percent for the month ending May, 2018.

Weaknesses

- **Uneven margins**

The operating margins are uneven marked by 3.18 percent in FY2018 against 5.57 percent in FY2017 and 3.86 percent in FY2016. ~ 90.00 percent of the company's revenue is derived through export activities. Hence, price remains susceptible to volatility associated to forex rates, resulting in uneven margins.

- **Average financial risk profile**

VOFPL has low networth of Rs.7.50 crore as on 31 March, 2018 against Rs.6.24 crore as on 31 March, 2017. The gearing (debt-to-equity) stood high at 2.16 times as on 31 March, 2018 against 2.72 times as on 31 March, 2017. Total debt of Rs.16.25 crore mainly comprises of working capital borrowings. Further, coverage indicators stood comfortable at Interest Coverage Ratio (ICR) of 4.26 times for FY2018.

Analytical Approach

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

Outlook: Stable

Acuite believes that VOFPL will maintain a 'Stable' business risk profile over the medium term on the back of long standing experience of the promoter in the business. The outlook may be revised to 'Positive' if VOFPL achieves more 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	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	119.49	60.46	68.30
EBITDA	Rs. Cr.	3.80	3.37	2.63
PAT	Rs. Cr.	1.26	1.74	1.36
EBITDA Margin	(%)	3.18	5.57	3.86
PAT Margin	(%)	1.06	2.88	1.99
ROCE	(%)	11.78	16.03	21.44
Total Debt/Tangible Net Worth	Times	2.16	2.72	2.68
PBDIT/Interest	Times	4.26	6.38	5.31
Total Debt/PBDIT	Times	4.20	4.78	4.24
Gross Current Assets (Days)	Days	62	122	69

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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
20-Dec-2017	Cash Credit	Long Term	INR 5	ACUITE BB+ / 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ / Stable (reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE BB+/Stable (assigned)
Packing credit	Not Applicable	Not Applicable	Not Applicable	18.40	ACUITE BB+ / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE BB+ / Stable (assigned)

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About Acuité Ratings & Research:

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