

Press Release

Vantage Organic Foods Private Limited

December 30, 2020

Rating Withdrawn



| | |
|------------------------------|--------------------------|
| Total Bank Facilities Rated* | Rs.32.65Cr |
| Long Term Rating | ACUITE BB (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.32.65Cr bank facilities of VANTAGE ORGANIC FOODS PRIVATE LIMITED (VOFPL).

The rating is being withdrawn on account of request received from the company and NOC received from the bank.

Incorporated in the year 2008, VOFPL is a Jaipur-Rajasthan based company. The directors of the company are Mr. Vipul Gupta, Mrs. Sheetal Gupta and Mr. Mani Ram Gupta. The company is engaged in the business of manufacturing and exporting of organic food ingredients. The company has its manufacturing unit at Mhow, Indore with installed capacity of 40,000MT/Annum. The capacity utilization is around 62 percent.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

VOFPL was incorporated in the year 2008. The directors of the company have been engaged in the aforementioned business line for more than a decade. The extensive experience of the directors has helped in establishing healthy relationships with its customers and suppliers. The key customers of the company include names like Sure Source, Sheppard Grain and Field Farm amongst others. The key suppliers include names like Dinesh Chand Bhawar Lal, and Gopal Dal Mill, to name a few. On the back of stable and repeated orders from its customer, the operating income of the company has increased by around 43.20 percent to Rs.145.28Cr (Prov.) in FY2020 from Rs.101.45Cr in FY2019.

Acuite believes that the company will benefit from the extensive experience of the promoters and healthy relationship with its customers and suppliers.

• Comfortable working capital management

VOFPL's working capital is comfortable as it is reflected by its Gross Current Asset (GCA) days of around 78 (Prov.) in FY2020 as against 93 days in FY2019. The company maintained an inventory of around 34 days (Prov.) as on 31 March, 2020 as against 21 days as on 31 March, 2019. VOFPL extended a credit period of 32 days (Prov.) as on March 31, 2020 to its customer as against 69 days as on March 31, 2019. On the other hand, the company has a credit payment of 5 days (Prov.) to its suppliers as on March 31, 2020 as against 11 days as on March 31, 2019. Acuite expects the working capital management to remain comfortable over the medium term.

Weaknesses

• Average financial risk profile

VOFPL's financial risk profile is average, marked by low net worth, high gearing and moderate debt protection metrics. VOFPL's net worth is low estimated at around Rs.10.03Cr (Prov.) as on March 31, 2020 as against Rs.9.38Cr as on March 31, 2019. However, the net worth levels have seen improvement over the last three years through FY2020 on account of limited accretion to reserves during the same period. The gearing continues to remain high at around 2.71 times (Prov.) as on March 31, 2020 as against 2.36 times as on March 31, 2019. The company incurred a capex of around Rs.1.47Cr in the last year to expand its scale of operation, while its incremental working capital requirement over the same period to support the increase in the scale of operations has been around Rs.(0.34)Cr. As on March 31, 2020, total outside liabilities to tangible net worth (TOL/TNW) levels stands at 3.34 times (Prov.) as against to 3.09 times in FY2019. The company on the other hand generated cash accruals of Rs.1.40Cr (Prov.) in FY2020 as against Rs.2.77crore in FY2019. VOFPL's cash accruals over the next two years through FY2022 are estimated to remain in the range of Rs.2.15Cr to Rs.3.63Cr.

The revenue of the company has increased by around 43.20 percent to Rs.145.28Cr (Prov.) in FY2020 from Rs.101.45Cr in FY2019. EBITDA in absolute term has declined to Rs.2.38Cr (Prov.) in FY2020 from Rs.4.00Cr in FY2019. As a result, the PAT has declined from Rs.1.82Cr in FY2019 to Rs.0.65Cr (Prov.) in FY2020. The low profitability levels coupled with high debt levels has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY2020 were moderate at 0.05 times (Prov.) and 2.30 times (Prov.), respectively as against 0.12 times and 4.96 times in FY2019 respectively. The Debt-EBITDA ratio stands at 9.47times (Prov.) in FY2020 against 4.85 times in FY2019.

Acuité believes that the financial risk profile of VOFPL will continue to remain average over the near to medium term.

• Decline in the profitability margins

The operating margin has declined from 3.94 percent in FY2019 to 1.64 percent (Prov.) in FY2020. Similarly, the PAT margin has declined to 0.45 percent (Prov.) in FY2020 from 1.79 percent in FY2019. As more than 80 percent of the company's revenue is derived through export activities so price remains susceptible to volatility associated to forex rates, resulting in uneven margins.

Liquidity Position: Stretched

The company has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.40Cr (Prov.) in FY2020 as against its maturing debt obligation of Rs.0.80Cr during the same period. The cash accrual of the company is estimated to remain around Rs.2.15Cr to Rs.4.87Cr during 2021-23 against repayment obligations of Rs.0.80Cr during the same period. The company's working capital operations is comfortable marked by the gross current asset (GCA) days of 78 days (Prov.) for FY2020 as against 93 days in FY2019. The company maintains unencumbered cash and bank balances of Rs.1.21Cr (Prov.) as on 31 March 2020. The current ratio stands at 1.13 times (Prov.) as on 31 March 2020. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of moderate net cash accruals to its debt repayments over the medium term.

Rating Sensitivities

- Scaling up of operation while improving the profitability margin
- Significant improvement in the financial risk profile

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 145.28 | 101.45 |
| PAT | Rs. Cr. | 0.65 | 1.82 |
| PAT Margin | (%) | 0.45 | 1.79 |
| Total Debt/Tangible Net Worth | Times | 2.71 | 2.36 |
| PBDIT/Interest | Times | 2.30 | 4.96 |

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

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|-----------------------------------------------|
| 13-Aug-2020 | Packing Credit | Long Term | 21.00* | ACUITE BB/Stable (Downgraded from ACUITE BB+) |
| | Foreign Currency Term Loan-I | Long Term | 1.33 | ACUITE BB/Stable (Assigned) |
| | Foreign Currency Term Loan-II | Long Term | 0.36 | ACUITE BB/Stable (Assigned) |
| | Foreign Currency Term Loan-III | Long Term | 1.70 | ACUITE BB/Stable (Assigned) |
| | Warehouse Receipt Financing | Long Term | 5.00 | ACUITE BB/Stable (Downgraded from ACUITE BB+) |
| | Proposed Bank Facility | Long Term | 3.26 | ACUITE BB/Stable (Downgraded from ACUITE BB+) |
| 16-Sep-2019 | Packing Credit | Long Term | 18.40 | ACUITE BB+ (Issuer Not Co-operating) |
| | Term Loan | Long Term | 2.20 | ACUITE BB+ (Issuer Not Co-operating) |
| | Cash Credit | Long Term | 5.00 | ACUITE BB+ (Issuer Not Co- |

| | | | | |
|-------------|------------------------|-----------|-------|-----------------------------------------|
| | | | | operating) |
| | Proposed Bank Facility | Long Term | 1.40 | ACUITE BB+ (Issuer Not Co-operating) |
| 06-Jul-2018 | Term Loan | Long Term | 2.20 | ACUITE BB+/Stable (Assigned) |
| | Packing Credit | Long Term | 18.40 | ACUITE BB+/Stable (Assigned) |
| | Cash Credit | Long Term | 5.00 | ACUITE BB+/Stable (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 1.40 | ACUITE BB+/Stable (Assigned) |

*Packing Credit of Rs.21.00Cr includes sublimit of cash credit and letter of credit to the extent of Rs.5.00Cr and Rs.2.00Cr respectively.

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|--------------------------------|------------------|----------------|-----------------|-----------------------------|--------------------------|
| Packing Credit | Not Applicable | Not Applicable | Not Applicable | 21.00* | ACUITE BB (Withdrawn) |
| Foreign Currency Term loan-I | September, 2018 | Not Applicable | May 31, 2022 | 1.33 | ACUITE BB (Withdrawn) |
| Foreign Currency Term loan-II | September, 2018 | Not Applicable | August 31, 2021 | 0.36 | ACUITE BB (Withdrawn) |
| Foreign Currency Term loan-III | September, 2019 | Not Applicable | September, 2024 | 1.70 | ACUITE BB (Withdrawn) |
| Warehouse Receipt Financing | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE BB (Withdrawn) |
| Proposed bank Facility | Not Applicable | Not Applicable | Not Applicable | 3.26 | ACUITE BB (Withdrawn) |

*Packing Credit of Rs.21.00Cr includes sublimit of cash credit and letter of credit to the extent of Rs.5.00Cr and Rs.2.00Cr respectively.

Contacts

| Analytical | Rating Desk |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Aditya Gupta Vice President-Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuited.in</p> <p>Kumar Abhisek Analyst-Rating Operations Tel: 011-49731308 kumar.abhisek@acuited.in</p> | <p>Varsha Bist Senior Manager-Rating Desk Tel: 022-49294011 rating.desk@acuited.in</p> |

About Acuite Ratings & Research:

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