

Press Release

Ind Andhra Agro Products Private Limited

23 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.41.00 Crore
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned a long term rating of '**SMERA B' (read as SMERA B)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs. 41.00 crore bank facilities of IND ANDHRA AGRO PRODUCTS PRIVATE LIMITED (IAAP). The outlook is '**Stable**'.

IAAP is a West Godavari (Andhra Pradesh) based company incorporated in 2004 and is promoted by Mr. Rama Krishna. The company is engaged in trading of agricultural products such as rice and maize. IAAP's product range includes SonaMasuri, Ponni Rice and Indian Yellow corn. The company sells its products both in India and overseas. Exports are mainly to Olam International Limited, Ameropa Asia Pte Ltd among others. The company procures raw materials with in Andhra Pradesh.

List of key rating drivers and their detailed description

Strengths:

Experienced Management, long track record of operations

IAAP incorporated in 2004 and promoted by Mr. Rama Krishna, Ms. Sudha Rani and Mr. Rama Raju. The promoters of the company who hails from agriculture background possess more than onedecade of experience in the line of business. This has developed the company to establish network of suppliers and customers.

Improvement in operating margins

EBITDA margins of the company improved to 8.97 percent in FY2017 as against 7.98 percent in FY2016 and 3.40 percent in FY2015. This is mainly on account of decrease in cost of goods purchased for trading

Proximity to rice growing area

The company is located at Tanaku, West Godavari District, Andhra Pradesh, which offers proximity to raw material sources and the area has ample production of rice. The company procures materials from agents and rice mills.

Weaknesses

Decline in revenues and agro climatic risks

IAAP's revenues continuously declined to Rs. 50.97 crore in FY2017 from 62.81 crore in FY2016 and Rs. 160.48 crore in FY2015. Decline in revenues was mainly on account of decline in export sales. Further, rice and maize are a seasonal crop and the production of the same is highly dependent upon monsoon season. Further the company is exposed to the risk related with fluctuation in raw material price which is largely dependent on several external factors.

Working capital intensive operations

Operations of the company were working capital intensive marked by high GCA days of 383 days in FY2017 as against 285 days in FY2016. This is mainly on account of high inventory holding period and high debtor days. Inventory holding days stood at 228 days in FY2017 as against 200 days in FY2016. Debtor days stood at 171 days in FY2017 as against 95 days in FY2016.

Below average financial risk profile

Debt-Equity ratio of the company stood high at 5.25 times as on 31 March, 2017 as against 4.86 times in the previous year. The same is due to low net worth and high working capital borrowings. Of the total debt of Rs. 43.52 crore in FY2017, Short term borrowings constitutes Rs. 36.05 crore and unsecured loans constitute Rs. 7.47 crore. Interest coverage ratio (ICR) stood at 1.05 times in FY2017 as against 1.06 times in the previous year.

Competitive and fragmented industry

The company is operating in a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Ind-Andhra Agro Products Private Limited.

Outlook - Stable

SMERA believes that the IAAP will maintain its stable business risk profile in the context of the management's extensive experience in the industry and long track record of operations. The outlook may be revised to positive in case of sustained increase in revenues and accruals with improvement in its working capital cycle. Conversely, the outlook may be revised to negative in case of significant decline in revenues or in case of elongation of working capital cycle or deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	50.97	62.81	161.50
EBITDA	Rs. Cr.	4.57	5.02	5.50
PAT	Rs. Cr.	0.14	0.14	0.35
EBITDA Margin	(%)	8.97	7.98	3.40
PAT Margin	(%)	0.27	0.22	0.22
ROCE	(%)	9.72	9.76	20.23
Total Debt/Tangible Net Worth	Times	5.25	4.86	5.63
PBDIT/Interest	Times	1.05	1.06	1.14
Total Debt/PBDIT	Times	8.87	7.90	8.20
Gross Current Assets (Days)	Days	383	285	177

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-deafault.htm>
- Application of 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>

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

CRISIL in its rating rationale dated 01 March, 2018 has reported that, it has been consistently following up with Ind-Andhra Agro Products Private Limited (IAPPL) for obtaining information through letters and emails dated November 09,2017, January 17,2018, February 14,2018 and February 19,2018 among others, apart from telephonic communication. However, the issuer has remained non cooperative.

Any other information: Not Applicable

Rating History for the last three years: 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	3.00	SMERA B/Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	38.00	SMERA A4 (Assigned)

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ABOUT SMERA

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