

Press Release

Ind Andhra Agro Products Private Limited

May 30, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 41.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE B**' (read as **ACUITE B**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.41.00 crore bank facilities of Ind Andhra Agro Products Private Limited (IAAP).

IAAP is a West Godavari (Andhra Pradesh) based company incorporated in 2004 is promoted by Mr. Rama Krishna. The company is engaged in trading of agricultural products such as rice, Sorghum and maize. The company sells its products both in India and overseas. Some of the overseas customers are Olam International Limited, Ameropa Asia Pte Ltd among others.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

IAAP incorporated in 2004 is 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 two decades of experience in the said line of business. Long standing operations and experience of the management in the industry helped the company in maintaining healthy relationship with customers such as Ghee Huat Co Pte Ltd, Sudima International Pte Ltd, Olam International Ltd, Ameropa Asia Pte Ltd among others. Acuite believes that the company will benefit from the experience of the management over the medium term.

Weaknesses

- Delays in serving debt obligations**

The rating reflects continuous overdrafts in its cash credit limit for more than 60 days; owing to delayed realisations from its customers. The account is classified as SMA 2 by the Bank.

- Working capital intensive operations**

Operations of the company are working capital intensive marked by high gross current assets (GCA) of 361 days in FY2019 (Provisional) as against 486 days in FY2018. This is mainly on account of high debtor cycle and inventory cycle. Debtor cycle stood high at 190 days in FY2019 (Provisional), though improved from 284 days in FY2018. Inventory cycle is high at 181 days in FY2019 (Provisional) as against 200 days in FY2018. The same led to full utilization and overdrawal of its bank lines for the last six months through April 2019.

- Weak financial risk profile**

Financial risk profile of the company is weak marked by high gearing (Debt-Equity), total outside liabilities to total net worth (TOL/TNW) and weak debt protection metrics. The gearing (debt-to-

equity) and TOL/TNW are high at 6.22 and 9.45 times as on 31 March, 2019 (Provisional) as against 5.52 and 7.10 times as on 31 March, 2018 due to high reliance on bank funds and unsecured loans to fund its working capital. Net worth is modest at Rs.8.60 crore as on 31 March, 2019 (Provisional) as against Rs.8.37 crore as on 31 March, 2018. Of the total debt of Rs.53.53 crore as on 31 March, 2019 (Provisional), unsecured loans constitutes Rs.12.59 crore and short term debt stood at Rs.40.95 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) are weak at 1.06 times and 0.01 times in FY2019 (Provisional) as against 1.03 times and 0.00 times in FY2018 respectively. The company reported net cash accruals (NCA) of Rs.0.28 crore in FY2019 (Provisional). Cash accruals are expected in the similar range over the medium term. Acuite believes that with modest cash accruals and no major debt funded capital expenditure, the financial risk profile continues to be at similar levels over the medium term.

• 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. 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.

Liquidity position

IAAP has weak liquidity marked by continuous overdrawals in its working capital limits. The company's operations are working capital intensive marked by high gross current asset (GCA) of 361 days for FY2019 (Provisional). Net cash accruals are modest at Rs.0.28 crore for FY2019 (Provisional) as against Rs.0.14 crore for FY2018. The company has cash and bank balance of Rs.0.07 crore as on 31 March 2019 (Provisional).

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	90.79	50.78	50.97
EBITDA	Rs. Cr.	6.23	6.00	4.57
PAT	Rs. Cr.	0.23	0.08	0.14
EBITDA Margin	(%)	6.86	11.81	8.97
PAT Margin	(%)	0.26	0.17	0.27
ROCE	(%)	10.61	11.19	9.72
Total Debt/Tangible Net Worth	Times	6.22	5.52	5.25
PBDIT/Interest	Times	1.06	1.03	1.05
Total Debt/PBDIT	Times	8.59	7.70	8.87
Gross Current Assets (Days)	Days	361	486	383

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

None

Any other information

"Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups"

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
23-Mar-2018	Cash Credit	Long Term	INR 3.00	ACUITE B/Stable (Assigned)
	Packing Credit	Short Term	INR 38.00	ACUITE A4 (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	3.00	ACUITE D (Downgraded)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE D (Downgraded)

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuitem.in Naveen Papisetty Analyst - Rating Operations Tel: 040-40055480 naveen.papisetty@acuiterratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuitem.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.