

Press Release

Amrit Oils and Chemicals

November 08, 2021



Rating Reaffirmed

| | |
|-------------------------------------|------------------------------------|
| Total Bank Facilities Rated* | Rs. 25.00 crore |
| Long Term Rating | ACUITE BB+/ Stable (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) to the Rs. 25.00 crore bank facilities of Amrit Oils and Chemicals(AOC). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation reflects sustained operations and profitability for FY2021, moderate financial risk profile and adequate liquidity position with efficiently managed working capital operations. Also the rating factors in comfort derived by order book position of Rs. 2.22 Cr as on September 2021. Moreover, the firm has booked revenue of Rs. 36.81 Cr as on August 2021. On the contrary, the firm operates in competitive and fragmented industry.

About the firm

Established in the year 2010, AOC is a Ludhiana-Punjab based partnership firm. The promoters of the firm are Mr. Rajesh Gupta and Mrs. Pushpa Devi. The firm is engaged in the business of manufacturing of whitewashing soap, refining of rice bran oil and trading of mustard oil and other vegetable oils

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AOC to arrive at this rating.

Strengths

- Established track record of operations and experienced management**

AOC was established in the year 2010. The partners of the firm have been engaged in the aforementioned business line for around a decade. The extensive experience of the partners has helped in establishing healthy relationships with its customers and suppliers. The key customers of the firm include names like Advance Chemical Company, Bajrang Lal Hitesh Kumar and Zaffron Oil Mill amongst others with no major concentration in revenues. The key suppliers include names like Adani Wilmar Limited, Modulus Cosmetic, Goyal MG Gases Private Limited, etc. to name a few. Acuité believes that the firm will benefit from the extensive experience of the partners, healthy relationship with its customers and suppliers.

- Moderate financial risk profile**

The financial risk profile of firm stood moderate marked by moderate net worth, comfortable gearing and healthy coverage indicators. The partner's capital stood moderate at around Rs. 18.89 crores as on 31 March, 2021 (Provisional) as against Rs. 19.98 crores as on 31 March, 2019. The firm has followed a conservative financial policy in the past, which is reflected by current gearing (debt-to-equity) which stands at 0.68 times as on 31 March, 2021 (Provisional) and 0.62 times in the previous year. As on 31st March 2021, the promoters have infused unsecured loan to the tune of Rs. 6.98 Cr. which has further improved the adjusted debt-to-equity to 0.31 times as on 31st March 2021 as against 0.41 times as on 31st March 2020. The total debt of Rs. 12.85 crore as on 31 March, 2021 (Provisional), consists of term loans of Rs. 0.15 crores, working capital borrowings of Rs. 5.41 crores, Rs. 0.31 crores of current portion of long term debt and Rs. 6.98 Crore of unsecured loans from directors/promoters. The Debt protection metrics of the firm have improved marked by the interest coverage ratio 5.01 times as on 31st March 2021 (Provisional) as against 2.40 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.26 times for FY2021 (Provisional). The firm reported healthy net cash accruals (NCA) of ~Rs. 3.33 crore in FY2021 and Rs. 2.66 crores in FY2020.

Acuité believes that the firm will be able to sustain its existing financial risk profile in near to medium term backed by established presence in the Industry, extensive experience of promoters, healthy net cash accruals to support any major debt-funded capital expenditure.

Weaknesses

- **Competitive and fragmented industry**

The firm operates in a highly competitive and fragmented industry and faces tough competition from various established players in the industry as well as several unorganized players which could have an impact on the bargaining powers with the customers and hence the margins.

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>

Rating Sensitivity

- Sustained growth in operating performance with improvement in profitability, sustenance of the comfortable financial risk profile
- Slowdown in industry leading to inventory pile up.

Liquidity position: Adequate

The firm has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 3.33 crore for FY2021 (Prov.) as against Rs. 0.31 crore of repayment obligations for the same period. The firm has unencumbered cash and bank balances of Rs. 2.25 crore as on 31st March 2021 (Prov.) Further, the fund-based working capital limits are utilized at an average of ~46 per cent in the last six months while. Therefore, there are enough net cash accruals & limits available to utilize more funds if required to support incremental requirements.

Outlook: Stable

Acuité believes that AOC will maintain a stable outlook over the medium term backed by its experienced partners and established track record in the aforementioned industry. The outlook may be revised to 'Positive', if the firm demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative', if the firm generates lower-than-anticipated cash accruals, most likely as a result of a sharp decline in the operating margins thereby impacting its business risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

| | Unit | FY21 (Prov.) | FY20 (Actual) |
|-------------------------------|---------|--------------|---------------|
| Operating Income | Rs. Cr. | 73.87 | 66.91 |
| PAT | Rs. Cr. | 0.59 | 0.40 |
| PAT Margin | (%) | 0.80 | 0.59 |
| Total Debt/Tangible Net Worth | Times | 0.68 | 0.62 |
| PBDIT/Interest | Times | 5.01 | 2.40 |

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

None

Any other information

None

Applicable Criteria

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- 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 |
|-------------|---------------------------------|-----------|-----------------|--|
| 07-Aug-2020 | Cash Credit | Long term | 10.00 | ACUITE BB+/ Stable (Reaffirmed) |
| | Cash Credit | Long term | 3.00 | ACUITE BB+/ Stable (Reaffirmed) |
| | Term Loan | Long term | 0.79 | ACUITE BB+/ Stable (Reaffirmed) |
| | Overdraft | Long term | 5.00 | ACUITE BB+/ Stable (Reaffirmed) |
| | Proposed Bank Facility | Long term | 1.21 | ACUITE BB+/ Stable (Reaffirmed) |
| | Proposed Cash Credit Facility | Long term | 5.00 | ACUITE BB+/ Stable (Reaffirmed) |
| 13-Apr-2020 | Cash Credit | Long term | 15.00 | ACUITE BB+ (Downgraded; Issuer Not Co-operating) |
| | Cash Credit | Long term | 3.00 | ACUITE BB+ (Downgraded; Issuer Not Co-operating) |
| | Term Loan | Long term | 1.56 | ACUITE BB+ (Downgraded; Issuer Not Co-operating) |
| | Overdraft | Long term | 5.00 | ACUITE BB+ (Downgraded; Issuer Not Co-operating) |
| | Proposed Bank Facility | Long term | 0.44 | ACUITE BB+ (Downgraded; Issuer Not Co-operating) |
| 18-Jan-2019 | Cash Credit | Long term | 15.00 | ACUITE BBB-/ Stable (Upgraded) |
| | Cash Credit | Long term | 3.00 | ACUITE BBB-/ Stable (Upgraded) |
| | Term Loan | Long term | 1.56 | ACUITE BBB-/ Stable (Upgraded) |
| | Overdraft | Long term | 5.00 | ACUITE BBB-/ Stable (Upgraded) |
| | Proposed Bank Facility | Long term | 0.44 | ACUITE BBB-/ Stable (Upgraded) |
| 07-Sep-2018 | Cash Credit | Long term | 10.00 | ACUITE BB+/ Stable (Assigned) |
| | Proposed Bank Facility | Long term | 1.00 | ACUITE BB+/ Stable (Assigned) |

***Annexure – Details of instruments rated**

| Lender Name | Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|---------------------|-------------------------------|------------------|---------------|---------------|-------------------------------|---------------------------------|
| Indian Bank | Cash Credit | Not Available | Not Available | Not Available | 10.00 | ACUITE BB+/ Stable (Reaffirmed) |
| Kotak Mahindra Bank | Term Loan | Not Available | Not Available | Not Available | 0.63 | ACUITE BB+/ Stable (Reaffirmed) |
| Kotak Mahindra Bank | Overdraft | Not Available | Not Available | Not Available | 5.00 | ACUITE BB+/ Stable (Reaffirmed) |
| Not Applicable | Proposed Bank Facility | Not Available | Not Available | Not Available | 4.37 | ACUITE BB+/ Stable (Reaffirmed) |
| Not Applicable | Proposed Cash Credit Facility | Not Available | Not Available | Not Available | 5.00 | ACUITE BB+/ Stable (Reaffirmed) |

Contacts

| Analytical | Rating Desk |
|---|--|
| Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel:022-49294041 aditya.gupta@acuite.in | Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in |
| Rohan Gambhir Rating Analyst - Rating Operations Tel: 011-49731313 rohan.gambhir@acuite.in | |

About Acuité Ratings & Research:

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