

## Press Release

**Amba Agro Foods**

November 23, 2018

### Rating Assigned



|                                     |                                   |
|-------------------------------------|-----------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 24.00 Cr.                     |
| <b>Long Term Rating</b>             | ACUITE BB- / Stable<br>(Assigned) |
| <b>Short Term Rating</b>            | ACUITE A4<br>(Assigned)           |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 24.00 crore bank facilities of AMBA AGRO FOODS (AAF). The outlook is '**Stable**'.

Established in 2008, AAF is a Haryana Based partnership firm promoted by Mr. Narinder Kumar and Mr. Ashok Kumar. The firm is engaged in exporting of non-basmati and basmati rice to countries such as Dubai, Qatar and Africa. The firm procures rice from Haryana, Punjab and Uttar Pradesh.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of AAF to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### • Experienced management

The promoters possess experience of more than a decade in rice trading industry. Acuité believes that AAF will continue to benefit from its experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

##### • Moderate financial risk profile

AAF has improvement in revenue marked by operating income of Rs.102.16 crore in FY2018 as against Rs.85.73 crore in FY2017 and Rs.43.92 crore in FY2016. The firm has booked revenue of Rs.92.00 crore for April to October, 2018 and the current orders in hand stood at Rs.30.45 crore.

Further, the firm's operating margins have shown an improving trend of 3.13 percent in FY2018 as against 2.23 percent in FY2017 and 2.34 percent in FY2016. The firm reported Profit after Tax (PAT) margin of 0.97 percent in FY2018 against 0.58 percent in FY2017 and 0.34 percent in FY2016.

Going forward, Acuité believes that the firm will continue to effectively manage its profitability in order to maintain a stable credit profile.

#### Weaknesses

##### • Working capital intensive operations

The firm's operations are working capital intensive marked by high Gross Current Assets (GCA) of 198 days in FY2018 as compared to 117 days in FY2017. The GCA days are mainly dominated by high inventory holding of 198 days in FY2018 compared to 113 days in FY2017. Also, collection period stood at 3 days in FY2018 as against 4 days in FY2017. Further, working capital is supported by high creditors of 87 days in FY2018 as against 22 days in FY2017. Average working capital is fully utilised.

Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

#### • Moderate financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs.19.42 crore as on 31 March, 2018 as against Rs.2.81 crore in the previous year. The net worth includes unsecured loan of Rs.14.60 crore as on 31 March, 2018 from promoters which are treated as quasi equity based on the undertaking provided by the management that the same will be maintained in the business over the long term. The gearing stood moderate at 1.64 times as on 31 March, 2018 as against 7.97 times in the previous year. The total debt of Rs.31.85 crore includes term loan from bank of Rs.0.21 crore, working capital borrowings of Rs.31.60 crore and unsecured loan of Rs.0.04 crore. Interest Coverage Ratio (ICR) stood at 1.64 times in FY2018 as against 1.60 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood low at 2.01 times as on 31 March, 2018 as against 9.71 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.04 times in FY2018 compared to 0.03 times in FY2017.

Going forward, Acuite believes that the firm's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

#### Outlook: Stable

Acuite believes that the outlook on AAF will remain 'Stable' and the firm will benefit over the medium term from its experienced management, improvement in revenue and profitability margins. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving its financial risk profile and working capital operations. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

#### About the Rated Entity - Key Financials

|                               | Unit    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 102.16        | 85.73         | 43.92         |
| EBITDA                        | Rs. Cr. | 3.20          | 1.91          | 1.03          |
| PAT                           | Rs. Cr. | 0.99          | 0.49          | 0.15          |
| EBITDA Margin                 | (%)     | 3.13          | 2.23          | 2.34          |
| PAT Margin                    | (%)     | 0.97          | 0.58          | 0.34          |
| ROCE                          | (%)     | 7.81          | 10.65         | 21.90         |
| Total Debt/Tangible Net Worth | Times   | 1.64          | 7.97          | 1.42          |
| PBDIT/Interest                | Times   | 1.64          | 1.60          | 1.84          |
| Total Debt/PBDIT              | Times   | 9.76          | 11.71         | 3.69          |
| Gross Current Assets (Days)   | Days    | 198           | 117           | 43            |

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

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### \*Annexure – Details of instruments rated

| Name of the Facilities      | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Cr.) | Ratings/Outlook               |
|-----------------------------|------------------|----------------|----------------|-----------------------------|-------------------------------|
| Warehouse Receipt Financing | Not Applicable   | Not Applicable | Not Applicable | 20.00                       | ACUITE BB-/ Stable (Assigned) |
| PC/PCFC                     | Not Applicable   | Not Applicable | Not Applicable | 4.00*                       | ACUITE A4 (Assigned)          |

\*sublimit - CC facility of Rs. 1.00 crore

### Contacts

| Analytical   | Rating Desk   |
|--|---|
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### About Acuité Ratings & Research:

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