

Press Release

Agribiotech Industries Limited

July 23, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of **'ACUITE B' (read as ACUITE B)** to Rs. 9.00 crore bank facilities of AGRIBIOTECH INDUSTRIES LIMITED (AIL). The outlook is **'Stable'**.

AIL, a Jaipur based company was incorporated in 2004 by Mr. Sree Gopal Bajoria, Mr. Girdhar Gopal Bajoria and Ms. Vinita Bajoria and later, during 2008 Mr. Girdhar Gopal Bajoria and MS. Vinita Bajoria resigned from Directorship. Currently, the company is managed by Mr. Ashutosh Bajoria as Managing Director, Mr. Sandeep Khandelwal, Mr. Sourabh Sharma, Mr. Umesh Joshi, Mr. Pawan Kumar Tibrewal, and Mr. Utkarsh Sanghi (Directors). It is engaged in manufacturing and processing of Extra Neutral Alcohol / Rectified Spirits of around 65 KLPD capacity and also bottling of country liquor under several local brand names. The company procures its key raw materials, i.e. broken food grain from brokers locally.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

The company was incorporated in 2004 by Mr. Sree Gopal Bajoria, Mr. Girdhar Gopal Bajoria and Ms. Vinita Bajoria. Currently, the company is managed by Mr. Ashutosh Bajoria as Managing Director, Mr. Sandeep Khandelwal, Mr. Sourabh Sharma, Mr. Umesh Joshi, Mr. Pawan Kumar Tibrewal, and Mr. Utkarsh Sanghi. The current management has extensive experience of more than a decade in this line of business by virtue of the long track record of operations of AIL. Acuite believes that the company will continue to benefit from its experienced management.

• Efficient working capital management

The company's working capital operations are prudent marked by Gross Current Asset (GCA) of 96 days in FY2018 compared to 52 days in FY2017. The GCA days are dominated mainly on account of inventory days of 36 days in FY2018 compared to 31 days in FY2017, mainly because of procurement of key raw material from several brokers domestically. The debtor days stood moderate at 35 days for FY2018 and 10 days in FY2017, majorly because of the fast realisation of receivables from key customers.

Weaknesses

• Weak financial risk profile

The company has weak financial risk profile marked by declining tangible net worth of Rs.28.63 crore as on 31 March, 2018 as against Rs.32.30 crore as on 31 March, 2017 due to incurring of loss in FY2018. The gearing stood moderate at 0.77 times as on 31 March, 2018 as against 0.35 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 1.75 times as on 31 March, 2018 as against 0.97 times as on 31 March, 2017. The total debt of Rs. 21.90 crore increased from Rs. 11.44 crore and consists of term loan outstanding to the tune of Rs.7.25 crore, unsecured loans from Directors and relatives of Rs.4.70 crore, short term debt of Rs.9.29 crore and current maturities of long term debt (CPLTD) of Rs.0.66 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood negative at 0.80 times in FY2018 as against 2.41 times in FY2017 due to

the loss incurred. Debt Service Coverage Ratio (DSCR) stood low at 0.30 times in FY2018 as against 2.02 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood negative at 0.04 times as on 31 March, 2018 as against 0.20 times as on 31 March, 2017.

- **Customer concentration risk**

The company faces high customer concentration risk mainly due to the state government policies imposed. Its major customer is Rajasthan State Ganganagar Sugar Mills Ltd. which accounted for more than 68 percent of its sales of Rs. 169.15 crore in the last three-year period ended FY2019 (Prov). The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

Liquidity Position

AIL's liquidity profile is stretched marked by declining net cash accruals as against its maturing debt obligations. The company generated cash accruals of Rs.(0.87)-8.28 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.37-0.66 crore over the same period. The bank limit of the company remains utilised at ~98 percent during the 6 months period ended June 2019 (Prov). The company maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2018. The current ratio of the company stood modest at 1.01 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that AIL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant improvement in its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	136.37	161.04	178.82
EBITDA	Rs. Cr.	(1.60)	3.36	12.86
PAT	Rs. Cr.	(3.76)	(0.48)	5.75
EBITDA Margin	(%)	(1.18)	2.09	7.19
PAT Margin	(%)	(2.76)	(0.30)	3.21
ROCE	(%)	(8.71)	1.74	42.13
Total Debt/Tangible Net Worth	Times	0.77	0.35	0.53
PBDIT/Interest	Times	(0.80)	2.41	6.54
Total Debt/PBDIT	Times	(18.68)	3.21	1.30
Gross Current Assets (Days)	Days	96	52	63

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-19.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE B/ Stable

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About Acuité Ratings & Research:

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