

## Press Release

### Abani Agro Jute Products Private Limited (AAJPPL)

November 14, 2019

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 15.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ /Stable (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 15.00 crore bank facilities of Abani Agro Jute Products Private Limited. The outlook is '**Stable**'.

Abani Agro Jute Products Private Limited (AAJPPL) was incorporated in 2010 and started commercial operations in November 2018 as a company engaged in the business of manufacturing of jute yarn and gunny bags with an installed capacity of 15 tonnes per day. The company is currently managed by directors Mr. Tapan Kumar Saha, Mr. Palash Saha, Mrs. Sneha Sharma and Mr. Hemant Sharma. The company has manufacturing facility located at Malda, West Bengal.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

##### • Experienced management

The company has been promoted by Mr. Tapan Kumar Saha, Mr. Palash Saha, Mrs. Sneha Sharma and Mr. Hemant Sharma who have experience of more than a decade in the manufacturing business through group companies. Acuité believes that AAJPPL will be benefitted from its experienced management over the medium term.

##### • Proximity to raw materials

The key raw material is raw jute and AAJPPL's manufacturing unit is located in Malda, West Bengal, which is the largest jute producer in India. The company procures jute available locally from farmers in that area.

##### Weaknesses

##### • Nascent stage of operations

The operation of AAJPPL is at nascent stage as it started commercial operations from November, 2018 with a revenue of Rs 5.88 crores in FY 19. Moreover, the company has booked a revenue of Rs 15.37 crores till October, 2019 (provisional) and is currently planning a capacity expansion of 15 tonnes per day which will be funded by bank loans and capital infusion by promoters.

##### • Raw material price volatility due to seasonal nature

The major raw materials procured by the company include raw jute fibres. The raw material cost constitutes of around 70 percent of the total sales. Price of jute is highly volatile in nature due to seasonal availability of raw jute and the jute production is highly susceptible to agro-climatic conditions. Thus any adverse movement of jute prices impacts profitability.

#### Rating Sensitivity

- Substantial growth in revenue coupled with improving profitability

#### Material Covenants

None

### Liquidity Profile

AAJPPL has stretched liquidity marked by modest cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 0.87 crore in FY 19 and are estimated to remain around Rs 0.83-1.53 crore during 2020-2022 against its maturing debt obligations of around Rs 1.57-1.41 crore during the same period. The company's working capital facilities are utilized at nearly 89 percent in last thirteen months ended October, 2019. The company maintains unencumbered cash and bank balances of Rs 0.10 crore as on 31st March, 2019. The liquidity is expected to be stretched over the medium term, however, it is likely to improve in the future.

### Outlook: Stable

Acuite believes that the outlook on Abani Agro Jute Products Private Limited will remain 'Stable' over the medium term backed by its experienced management and proximity to raw materials. The outlook maybe revised to 'Positive' in case of higher than expected revenue and improvement in financial risk profile. However, the outlook maybe revised to 'Negative' in case of deterioration in the scale of operations.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	5.88	0.05
EBITDA	Rs. Cr.	1.27	0.00
PAT	Rs. Cr.	0.42	0.00
EBITDA Margin	(%)	21.52	4.37
PAT Margin	(%)	7.19	3.25
ROCE	(%)	10.32	0.07
Total Debt/Tangible Net Worth	Times	1.76	0.74
PBDIT/Interest	Times	4.32	-
Total Debt/PBDIT	Times	5.17	-
Gross Current Assets (Days)	Days	151	-

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.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	2.00	ACUITE B+/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.37	ACUITE B+/Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+/Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE B+/Stable
Proposed Long Term Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	0.13	ACUITE B+/Stable

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**About Acuité Ratings & Research:**

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