

Press Release

Abani Agro Jute Products Private Limited

February 10, 2021

Rating Upgraded



Total Bank Facilities Rated	Rs.15.00 crore
Long Term Rating	ACUITE BB-/ Stable (Upgraded from ACUITE B+/Stable)

* Refer Annexure for details

Rating Rationale

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

The rating upgrade is on account of the significant improvement in the operational performance of the company as reflected from the increase in revenues and improvement in working capital management. AAJPPL has achieved revenues of Rs.34.01 crores in FY2020 as compared to revenues of Rs.5.88 crores a year ago, thereby registering a y-o-y growth of 478 percent. The working capital management of the company has also improved marked by Gross Current Assets (GCA) of 33 days in FY2020 as compared to 151 days in FY2019. Acuité believes that company will sustain the revenue growth and continues to draw comfort from its experienced management over the medium term.

Incorporated in 2010, Abani Agro Jute Products Private Limited (AAJPPL) is engaged in the business of manufacturing of jute yarn and gunny bags with its manufacturing unit situated at Malda District, West Bengal. The company is currently managed by its directors Mr. Tapan Kumar Saha, Mr. Palash Saha, Mrs. Sneha Sharma and Mr. Hemant Sharma. The manufacturing unit's commercial operations started from the end of November 2018. Presently, the manufacturing unit has a capacity of 30 tonnes per day.

Analytical Approach

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

Key Rating Drivers

Strengths

• **Experienced management**

The company is 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 the promoters' experience will benefit the company going forward resulting in steady growth in the scale of operations.

• **Efficient nature of working capital operations**

The operations of the company have remained working capital efficient marked by Gross Current Asset (GCA) of 33 days in FY2020 as against 151 days in FY2019. The inventory days stood low at 13 days in FY2020 against 74 days in FY2019. The company maintains minimum inventory due to availability of sufficient raw materials and by virtue of the manufacturing unit being located to the close vicinity of Malda from where it procures jute. Further, the debtor days also stood low at 13 days in FY2020 compared to 24 days in FY2019. Majority of the sales of the company are against advance receipts. Acuité expects the working capital management to remain efficient over the medium term on account of the lean inventory levels maintained by the company and limited credit period extended to its customers.

Weakness

• **Moderate financial risk profile**

The company's financial risk profile is marked by low net worth, improving gearing and strong debt protection metrics. The net worth of the company stood at Rs.4.84 crores as on March 31, 2020 as compared to Rs.3.74 crores as on March 31, 2019, due to retention of profits. Acuité has considered unsecured loans of Rs.1.82

crores as on March 31, 2020 as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The company has moderate gearing at 1.21 times as on March 31, 2020 as against 1.76 times as on March 31, 2019. The total debt facility of Rs.5.86 crore comprises of long term debt of Rs.3.46 crore, cash credit of Rs.1.70 crore and maturing obligations of Rs.0.70 crore as on March 31, 2019. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 4.27 times as on FY2020 against 4.32 times as on FY2019 and Debt Service Coverage Ratio at 1.97 times as on FY2020 against 3.95 times as on FY2019. Acuite believes that going forward the financial risk profile of the company would improve over the medium term backed by steady accruals and in the absence of any major debt funded capital expenditure plans.

• **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 to 80 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

- Sustenance of working capital operations
- Improvement of financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity position is adequate marked by healthy cash accruals of Rs.2.11 crores in FY2020 against debt repayments of Rs.0.70 crores during the last financial year. The net cash accruals are expected to be ranging from Rs.2.12 crores to Rs.3.95 crores during FY21-23 against its maturing debt obligations of around Rs.0.75-0.79 crore over the same period. The fund based limit remains utilized at 68 percent over seven months ended on December, 2020. However, the current ratio stood at 0.70 times as on March 31, 2020 as compared to 0.64 times as on March 31, 2019. The company has not availed loan moratorium, but has availed COVID loan of Rs.1.22 crores. The unencumbered cash and bank balances stood at Rs.0.18 crores as on March 31, 2020. Acuite believes that the liquidity of the company will remain at similar levels on account of healthy cash accruals over the medium term.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters and efficient working capital management. The outlook may be revised to 'Positive' if the company achieves substantial improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or financial risk profile leading to deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19(Actual)
Operating Income	Rs. Cr.	34.01	5.88
PAT	Rs. Cr.	0.71	0.42
PAT Margin	(%)	2.09	7.19
Total Debt/Tangible Net Worth	Times	1.21	1.76
PBDIT/Interest	Times	4.27	4.32

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

None

Any other information

Not Applicable

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.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
14-Nov-2020	Term Loan	Long Term	4.37	ACUITE B+/Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE B+/Stable (Assigned)
	Proposed bank facility	Long Term	8.63	ACUITE B+/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore)	Ratings/Outlook
Term Loan	Not Available	Not Applicable	Not Available	4.37	ACUITE BB-/Stable (Upgraded)
Cash Credit	Not Available	Not Applicable	Not Available	2.00	ACUITE BB-/Stable (Upgraded)
Proposed bank facility	Not Available	Not Applicable	Not Available	8.63	ACUITE BB-/Stable (Upgraded)

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About Acuité Ratings & Research:

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