

Press Release

Essar Agrotech Limited

November 13, 2020

Rating Assigned



Total Facilities Rated*	Rs.12.85 crore
Long Term Rating	ACUITE D (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE D' (read as ACUITE D)** on the Rs.12.85 crore bank facilities of Essar Agrotech Limited (EAL).

EAL was incorporated in 1993 and is a part of Essar Group, a leading industrial group with a significant presence in Energy, Infrastructure, Metals & Mining and Service industries. The company is currently into production and supplying of Dutch variety of roses for the domestic market.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced Management

Incorporated in 1993, EAL is a part of Essar Group. The management of EAL possesses more than two decades of experience in the floriculture industry and are ably supported by the promoters in running the operations of the company.

Acuite believes that the company will continue to benefit from its experienced management and support from the promoters over the medium term.

Weaknesses

• Delay in servicing debt obligations

EAL has been facing significant liquidity pressure, which has impeded its ability to meet its debt obligation in a timely manner. The account has been persistently irregular on account of continuous delays in servicing of its term loans.

• Continuous decline in revenue from operations over the years

The revenue from operations of the company has been continuously declining from last three years on account of the shutdown of various business verticals. The revenues declined to Rs.4.15 crore in FY2020 (provisional) compared to Rs.23.68 crore in FY2019 and Rs.38.68 in FY2018. Subsequently, the company is also incurring operating losses for the subsequent years.

Acuite believes that the ability of the company to increase the scale of operations and improvement in profitability would be the key rating sensitivity factor over the medium term.

Rating Sensitivities

- Improvement in scale of operations and profitability
- Timely servicing of its debt obligations

Material Covenants

None

Liquidity position: Poor

EAL has poor liquidity marked by insufficient net cash accruals to meet its debt obligations. The company generated net cash accruals of Rs.(4.33) crore in FY2020 (provisional) against maturing debt obligations of Rs.4.25 during the same period. The stretched liquidity is also driven by high GCA of 304 days in FY2020 (provisional) compared to 61 days in FY2019. The current ratio stood at 0.27 times as on 31 March 2020 (provisional). Acuite believes that the liquidity of the company is likely to remain poor over the medium term on account of low net cash accruals against debt obligations.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	4.15	23.68
PAT	Rs. Cr.	(9.82)	(10.10)
PAT Margin	(%)	(236.73)	(42.63)
Total Debt/Tangible Net Worth	Times	0.35	0.23
PBDIT/Interest	Times	(2.40)	(1.75)

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

Care ratings via its press release on 30 September 2019 had denoted the rating of Essar Agrotech Limited as 'CARE D; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

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>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Crore)	Ratings/Outlook
Term Loan	Nov, 2014	7.5%	Mar, 2023	12.85	ACUITE D (Assigned)

Contacts

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About Acuite Ratings & Research:

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