

## Press Release

### Essar Agrotech Limited

January 07, 2022

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	12.85	ACUITE D   Reaffirmed	
<b>Total</b>	12.85	-	-

### Rating Rationale

Acuite has reaffirmed a long-term rating of 'ACUITE D' (read as ACUITE D) to the Rs.12.85 Cr bank facilities of Essar Agrotech Limited (EAL).

### Rationale for Rating

The rating has been reaffirmed taking into account continuous default in repayment. Further, the rating also takes into account EAL's moderate scale of operations, negative operating & net profit margins, leveraged capital structure and weak debt coverage indicators

### About the Company

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. EAL is currently into production and supplying of Dutch variety of roses for the domestic market through its manufacturing plant situated in Lonavla, Maharashtra.

### Analytical Approach

Acuite has considered a standalone view of EAL in order to arrive at the rating

### Key Rating Drivers

#### Strengths

##### Experienced management

Incorporated in 1993, EAL is promoted by the Niwas Residential & Commercial Properties Private Limited, Essar Infrastructure Services Private Limited and Mrs. Manju Ruia of Essar Capital Limited which are the group companies of Essar Group which is a multinational conglomerate and construction company. The management of EAL possesses more than two decades of experience in the floriculture industry and are ably supported by team of qualified and experienced professionals.

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

#### Weaknesses

##### Continuous decline in revenues from operations over the years

The revenue from operations of the company has been continuously declining in last three years on account of shutdown of various business verticals. The revenues declined to Rs.1.34 crore in FY2021 compared to Rs.4.42 crore in FY2020 and Rs.23.68 in FY2019. Further, the company is also incurring operating losses for the subsequent periods.

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

### Delays in repayment of debts

There have been stances of delays in meeting debt obligations by the firm on account of unavailability of funds confirmed from the Loan statements of the company. Despite taking the covid-19 loan moratorium, there has been delay in servicing debt obligation for the quarter of September, 2021.

### Rating Sensitivities

- Regularisation in servicing debt obligations
- Improvement in overall liquidity profile

### 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.(4.54) crore in FY2021. The stretched liquidity is also driven by high GCA of 962 days in FY2021 compared to 246 days in FY2020. The current ratio stood at 0.50 times as on 31 March 2021.

### Outlook: Not Applicable

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	1.34	4.42
PAT	Rs. Cr.	(9.68)	(10.23)
PAT Margin	(%)	(724.64)	(231.45)
Total Debt/Tangible Net Worth	Times	0.13	0.20
PBDIT/Interest	Times	(3.49)	(2.93)

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

Care via its press release on 13<sup>th</sup> November 2020 has reported the company as CARE D Issuer not cooperating on account of non-submission of information for rating surveillance.

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Nov 2020	Term Loan	Long Term	12.85	ACUITE D (Assigned)

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
IDBI Ltd	Not Applicable	Term Loan	Not available	Not available	01-03-2023	12.85	ACUITE D   Reaffirmed

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### About Acuité Ratings & Research

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