

## Press Release

### Abha Agro Exports Private Limited

November 16, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	23.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.23.00 Cr bank facilities of Abha Agro Exports Private Limited (AAEPL). The outlook is '**Stable**'.

### Rationale for the rating

The rating takes into account the steady growth in the operating income along with improvement in the profitability margins of the company. The rating also factors the experienced management, long track of the company's operations and the above average financial risk profile of the company characterized by comfortable gearing and healthy debt coverage indicators. These strengths are, however, offset by the susceptibility to intense competition and exposure to the foreign exchange rate fluctuation.

### About the Company

Incorporated in 2002, Abha Agro Exports Private Limited (AAEPL) is engaged in the trading of agricultural products namely, maize, wheat, rice, jute, pulses, oil cake and soya doc. The company is headed by Mr. Bajrang Lal Ladha, Mr. Ashok Kumar Ladha, Smt. Abha Ladha and Smt. Suman Ladha. AAEPL is based in West Bengal with warehouse facility present in Bihar, Madhya Pradesh, Odisha and West Bengal for storing the agricultural produces in bulk for trading. The company trades the products domestically as well as exports to Bangladesh.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of AAEPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Long standing operations and experienced promoters

The promoters of AAEPL possess sound knowledge regarding the procurement, sorting, processing & distribution of agricultural commodities with an extensive experience of around

two decades in this industry. Acuité believes that the experienced management and the long track record of the company of over two decades will continue to support the company in maintaining the long standing relations with its customers and suppliers.

- **Sound business risk profile driven by growing trade opportunities**

The company has achieved operating income of around Rs.369.92 Cr in FY2022 as against Rs.341.08 Cr in FY2021 and Rs.304.07 Cr in FY2020, thereby registering a 2-year CAGR of 10.32 per cent from FY20-22. Further, the company has achieved revenues of Rs.324.00 Cr till September'22 (provisional). The gradual increase in the operating income of the company is owing to the rising percentage of total exports on account of the growing export opportunities in the country due to various initiatives taken through APEDA. Further, the Russia-Ukraine unrest catered India with openings for exporting food grains to the world. The primary product of AAEPL is maize and the sole exporting country is Bangladesh which added to the increase in the revenues over the last year as maize exports from India rebounded sharply in 2021-22 to top \$1-billion mark (22 per cent Y-o-Y) and Bangladesh being one of the major export destinations of India has imported maize worth USD 345.5 million in 10 months of FY2022, thereby providing wide window for international trade.

AAEPL's operating margin increased to 7.16 per cent in FY2022 as compared to 3.49 per cent in the previous year. The PAT margin rose to 4.73 per cent in FY2022 as against 2.04 per cent as on FY2021. The upsurge in the margin is due to substantial reduction in the selling expenditure on account of decline in the demurrage and freight charges in FY2022. The growing profitability margins have translated into healthy RoCE levels which stood at 62.40 per cent in FY2022 as against 45.74 per cent in FY2021. Acuité believes that the rising export opportunities and sustenance of the regular order pipeline will continue to aid in the growth of the scale of operations of the company.

- **Above average financial risk profile**

The company's above average financial risk profile is reflected by modest and gradually rising net worth base, comfortable gearing and strong debt protection measures. The tangible net worth of the company increased to Rs.33.25 Cr as on March 31, 2022 from Rs.15.75 Cr as on March 31, 2021 due to accretion of reserves. Gearing of the company stood below unity at 0.67 times as on March 31, 2022 as compared to Rs.0.90 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.71 times as on March 31, 2022 as against 1.54 times as on March 31, 2021. Moreover, the debt coverage metrics is marked by Interest Coverage Ratio (ICR) at 8.36 times as on March 31, 2022 and Debt Service Coverage Ratio at 6.48 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood high at 0.78 times as on March 31, 2022. Acuité believes that the financial risk profile of the company will continue to remain above average over the medium term, in absence of any major debt funded capex plans.

### **Weaknesses**

- **Susceptibility to intense competition and exchange rate fluctuations**

The profitability margins remain exposed to intense competition in the agro-commodity industry due to market driven commodity prices and the trading nature of the business which limits the company's bargaining power with the customers and suppliers. Acuité believes that, going forward, the margins are expected to remain range bound given the nature of the business in which the company operates. Profitability also remains exposed to any unfavourable fluctuation in forex rates.

- **Exposed to geographical concentration risk**

The company remains exposed to geographical concentration risk as Bangladesh accounts for major portion of the total revenues. During FY2022, around 82 to 83 per cent of the total

operating income were derived from exports to customers based out of Bangladesh. Acuité believes that, diversification of the customer base will remain a key rating sensitivity. Any changes in the trade policy of Bangladesh can impact the operations of AAEPL.

### Rating Sensitivities

- Steady growth in scale of operations
- Sustenance of capital structure

### Material covenants

None

### Liquidity Position: Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.17.53 Cr in FY2022 as against no long term debt repayment over the same period. The current ratio stood comfortable at 1.62 times as on 31st March, 2022 as compared to 1.73 times as on 31st March, 2021. The cash and bank balances of the company stood at Rs.2.13 Cr in FY2022 as compared to Rs.0.95 Cr in FY2021. The company's working capital management is efficient marked by Gross Current Assets (GCA) of 80 days in FY2022 as compared to 35 days in FY2021. However, the fund based limit utilization is at 78 per cent over the six months ended September, 2022. Acuité believes that going forward the company's liquidity position will remain at similar levels due to steadily improving net cash accruals.

### Outlook: Stable

Acuité believes that the outlook on AAEPL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations, the growing business risk profile and the above average financial risk profile. The outlook may be revised to 'Positive' in case the company continues to register consistent growth in revenues while sustaining their profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	369.92	341.08
PAT	Rs. Cr.	17.49	6.95
PAT Margin	(%)	4.73	2.04
Total Debt/Tangible Net Worth	Times	0.67	0.90
PBDIT/Interest	Times	8.36	4.43

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

CRISIL, vide its press release dated February 29, 2020 had denoted the rating of Abha Agro Exports Private Limited as 'CRISIL BB-/Stable; ISSUER NOT COOPERATING'.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general

understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria “Complexity Level Of Financial Instruments” on [www.acuite.in](http://www.acuite.in).

**Rating History:**

Not Applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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