Press Release
Abha Agro Exports Private Limited
January 24, 2024
Rating Reaffirmed

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

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE t riple B minus)** on the Rs.23.00 Cr bank facilities of Abha Agro Exports Private Limited (AAEPL). The outlook is **'Stable'.**

Rationale for Reaffirmation

The rating reaffirmation factors in the increase in revenues of the Company in FY2023 by 31.91 per cent (%) year-on-year basis. The company has achieved revenues of Rs. 487.97 Cr in FY2023 as compared to revenues of Rs. 369.92 Cr in FY2022. However, in eight months ended November 2023 (Provisional) the revenues of the Company has been at Rs. 245.16 Cr and is expected to have slightly lower turnover than the last fiscal year. This is largely because in the previous two financial years, the company had export trades of almost 80% to Bangladesh, where it could command premium margins due to high demand. However, due to the dollar crisis in Bangladesh over the past year, the Company had not been able to procure orders from that country and has mostly conducted business in the domestic market where the margins are lean due to intense competition. So, the operating profitability of the Company is also expected to be impacted and be lower than the previous year.

Despite the pressure on the revenues and profitability of the Company, the financial risk profile is expected to remain above average with comfortable capital structure and debt protection metrices. The liquidity position of the company is also adequate, which is reflected in sufficient net cash accruals, small term debt repayments, efficient working capital management and absence of debt funded capex. The rating also draws comfort from the benefits derived in the business risk profile from the experienced management of the company.

These strengths are, however, offset by the susceptibility to intense competition and expected subdued profitability performance due to pressure on margins.

About the Company

Incorporated in 2002, Abha Agro Exports Private Limited (AAEPL) is engaged in the trading of agricultural products namely, maize, pulses and soya de-oiled cake. The company is headed by Mr. Bajrang Lal Ladha, Mr. Ashok Kumar Ladha, Mrs. Abha Ladha and Mrs. Suman Ladha. AAEPL is based in West Bengal and has warehouse facility present in Bihar, Madhya Pradesh, Odisha and West Bengal for storing the agricultural produces in bulk for trading.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established relationship with customers**

The promoters of AAEPL, Mr. Bajrang Lal Ladha, Mr. Ashok Kumar Ladha, Mrs. Abha Ladha and Mrs. Suman Ladha 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.

The company has achieved revenues of Rs. 487.97 Cr in FY2023 as compared to revenues of Rs. 369.92 Cr in FY2022. The turnover of the company has been growing at y-o-y of more than 31.91 per cent. AAEPL has an unexecuted order book position of Rs.43.21 Cr as on 30th September, 2023 which will be executed in next 6-7 months. Further the company has already achieved revenue of around Rs.245.16 Cr. as on November 2023 (Provisional) majority of which are from the domestic market, due to subdued export demands from Bangladesh. The decrease in export orders is attributed to Bangladesh's current dollar crisis. Despite these challenges, going forward, the company expects to manage its operations and secure additional orders from domestic markets, leading to an anticipated growth in turnover.
The operating margin of the company increased to 7.93% in FY2023 from 7.16% in FY2022, due to reduction in the selling expenditure on account of decline in the demurrage. However, the margins remain exposed to intense competition in the agro-commodity industry, market driven commodity prices and the trading nature of the business which limits the company's bargaining power with the customers and suppliers. The operating margins are expected to remain muted in FY2024. The PAT margins stood at 5.30 per cent in FY2023 as against 4.73 per cent as on FY2022. The Return on Capital Employed (ROCE) of the company stood comfortable at 54.85 per cent as on FY2023. Acuite believes that going forward, the scale of operations and profitability margins will remain a key monitorable over the medium term.

- **Above Average financial risk profile**

The financial risk profile of the company is above average marked by moderate net worth, comfortable gearing and strong debt protection metrics. The tangible net worth of the company stood at Rs.59.12 Cr as on March 31, 2023 as compared to Rs.33.25 Cr.as on March 31, 2022. This improvement in networth is mainly due to the accretion to reserves. The gearing of the company stood comfortable at 0.46 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.83 times as on March 31, 2023. The debt protection matrices of the company stood strong marked by Interest coverage ratio (ICR) of 10.13 times and debt service coverage ratio (DSCR) of 7.74 times for FY2023. The net cash accruals to total debt (NCA/TD) stood at 0.96 times in FY2023. Going forward, Acuité believes the financial risk profile of the company will remain above average on account of steady net cash accruals owing to expected stable accruals with no major debt funded capex plan over the near term.

- **Efficient working capital management**

The working capital operations of the company is efficient marked by comfortable gross current asset (GCA) days of 47 days for FY2023 as compared to 80 days for FY2022. The comfortable GCA days are primarily on account of low inventory holding and comfortable receivable days. The inventory days stood at 4 days in FY2023 as compared to 19 days in FY2022. The debtor days of the company stood moderate at 23 days in FY2023 as against 43 days in FY 2022. Further, the GCA days of the company also emanates from the other current asset, which mainly consists of loans and advances. Against this, the company gets minimal credit from its suppliers to support the working capital.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Weaknesses

- **Susceptibility to intense competition**

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. In FY24, the margins are expected to remain subdued since the Company is selling largely in domestic market which enjoys lower spread than that when it exported to Bangladesh. Acuité believes that, going forward, the margins are expected to remain range bound given the concentration of business in domestic market where the margins are lean.

Rating Sensitivities

- Sustainability of revenue along with improvement in profitability margins
- Sustenance of capital structure
- Elongation in Working capital cycle

Liquidity Position

Adequate

The company has adequate liquidity marked by steady net cash accruals of Rs. 25.91 Cr. as on March 31, 2023 as against no long term debt obligations over the same period. The cash and bank balance stood at Rs. 15.25 Cr for FY 2023. The current ratio of the company stood comfortable at 2.10 times in FY2023. Moreover, the bank limit of the company has been ~62.35 percent utilized for the last six months ended in November 2023. Further, the working capital operations of the company is efficient marked by comfortable gross current asset (GCA) days of 47 days for FY2023 as compared to 80 days for FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals and absence of any debt funded capex plans over the medium term.

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 and the above average financial risk profile. The outlook may be revised to 'Positive' in case the company registers consistent growth in revenues while improving their profit margins. Conversely, the outlook may be revised to 'Negative' in case of a further decline in the company's revenues or profit margins, or in case of deterioration in the company's working capital cycle and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	487.97	369.92
PAT	Rs. Cr.	25.88	17.49
PAT Margin	(%)	5.30	4.73
Total Debt/Tangible Net Worth	Times	0.46	0.67
PBDIT/Interest	Times	10.13	8.36

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

Not Applicable

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Trading Entitie: 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Nov 2022	Proposed Cash Credit	Long Term	5.00	ACUITE BBB- | Stable (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BBB- | Stable (Assigned)

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	23.00	ACUITE BBB- | Stable | Reaffirmed

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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.