

Press Release
AVI Agri Business Limited
April 04, 2024
Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	161.00	ACUITE BBB- Stable Downgraded	-
Bank Loan Ratings	39.00	-	ACUITE A3 Downgraded
Total Outstanding Quantum (Rs. Cr)	200.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE BBB- (read as ACUITE triple B minus)**' from '**ACUITE BBB (read as ACUITE triple B)**' and short-term rating to '**ACUITE A3 (read as ACUITE A three)**' from '**ACUITE A3+ (read as ACUITE A three plus)**' on the Rs. 200.00 Cr. bank facilities of Avi Agri Business Limited (AABL). The outlook is '**Stable**'.

Rationale for Rating Downgrade

The downgrade in rating takes into consideration the moderation as recorded in AABL's financial risk profile and profitability margins in FY2023. The revenue of the company remained stable at Rs.2006.48 Cr. in FY2023 as against Rs.1954.56 Cr. in FY2022. However, operating profitability declined to 1.88% in FY2023 from 3.41% in FY2022 on account of higher material costs and AABL's limited ability to effectively pass on the burden of increased costs to the customers. Going ahead, the revenue is estimated to remain around Rs.1800.00 Cr. in FY2024 with marginal improvement in profitability. Further, the financial risk profile also has seen moderation on marked by an increase in gearing levels and deterioration in debt coverage indicators with gearing levels increasing to 1.66 times in FY2023 as against 1.23 times in FY2022, this increase was on account of higher debt levels. Further, the ICR and DSCR both declined to 2.19 times and 1.49 times in FY2023 from 5.16 times and 3.80 times in FY2022 respectively. The rating continues to factor in the promoter's long-standing experience of more than 3 decades in the agro industry and long track record of business operations. However, the rating remains constrained due to the seasonal nature of its raw material procurement, making it susceptible to price fluctuations, changes in government policies, and changing demand patterns, thereby influencing the company's operations.

About the Company

Incorporated in 2009 Avi Agri Business Limited is a public limited company with registered office located in Indore, Madhya Pradesh. The company was initially constituted as a private limited company and was converted to a closely held public limited company. The company is promoted and managed by Mr. Vinod Kumar Jain. The company is a part of AV group. AV group consists of flagship company Suraj Impex India Private Limited and other group company Excel Agri Business private Limited. AABL is engaged in the manufacturing of Soya extraction (Soya Crude Oil & De-Oiled Cake), edible oil, Lecithin Liquid and powder, Soya flour and grits and soya white flakes. The company has an aggregate seed crushing capacity of 1400 MTPD, refining capacity of 300 MTPD, Lecithin plant of 27 MTPD, Soya flour and white flakes plant of 635 MTPD. The products manufactured are used in the manufacture of animal feeds (De-Oiled Cake and Soya Hiprotein meal), Lecithin is used by pharmaceutical companies, in infant food, make-up products etc

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AABL

Key Rating Drivers

Strengths

Experience of promoters and established track record of operations:

AABL was incorporated in 2009. The company is promoted and managed by Vinod Kumar Jain. Vinod Kumar Jain has an experience of 35 years in the agro industry. The company is ISO 9001:2015 certified towards quality management. The company deals in multiple products including Soya De-oiled cake, soya crude oil, Soya hi-protein meal, Lecithin power and liquid etc. Soya De oil cake and Soya refined oil are sold domestically whereas Soya Hi-protein meal is exported substantially to European countries due to non-genetically modified sources. Acuite believes the company shall benefit due to its diverse product portfolio and promoter experience over the medium term.

Moderate Financial Risk Profile

AABL's financial risk profile is moderate, marked by a moderate net worth, average gearing level, and debt coverage indicators. The net worth of the company stood at Rs.149.94 Cr. as of March 31, 2023, as against Rs.142.66 Cr. as on March 31, 2022. The total debt of the company increased to Rs.249.23 Cr. in FY2023 as against Rs.175.35 Cr. in FY2022. The increase in debt is due to increased short-term borrowings and an intercorporate loan of Rs.42.70 Cr. crore obtained from a group company to utilize the opportunity to stock up on raw materials available at lower prices. (The intercorporate loan was repaid in April 2023). The total debt as of March 31, 2023, consists of Rs.15.93 Cr. as a long-term loan, Rs. 190.60 crore as a short-term loan, and Rs.42.70 Cr crore as an intercorporate loan.

The gearing levels increased to 1.66 times in FY2023 as against 1.23 times in FY2022 on account of increased debt levels. The debt coverage indicators of ICR and DSCR declined to 2.19 times and 1.49 times in FY2023 from 5.16 times and 3.80 times in FY2022 respectively. The decline is due to increased interest costs and reduced operating profitability. The debt-EBITDA levels of the company increased to 6.59 times as of March 31, 2023, as against 2.57 times as of March 31, 2022. Further, the TOL/TNW and NCA/TD moderated to 2.15 times and 0.07 times as of March 31, 2023, against 1.59 times and 0.25 times as of March 31, 2022 respectively.

Going ahead, the financial risk profile is expected to improve, but remain moderate over the medium term.

Weaknesses

Moderate nature of working capital operations

The working capital operations of the company are moderate in nature marked by GCA days of 74 days in FY2023 against 56 days in the previous year. The GCA days are led by inventory days of 64 days in FY2023 against 50 days in FY2022. Due to seasonality, the company maintains an adequate inventory to meet the demand levels. The debtor days stood low at 5 days in FY2023 against 3 days in FY2022. However, the working capital limit utilisation stood high at 93.42% for the last 9 months ending December 2023. The creditor days stood 5 days in FY2023 against 8 days in FY2022. Going ahead, the working capital operations are expected to remain at similar levels over the medium term.

Susceptible to volatility in agriculture commodity prices and change in Government policies

The commodity market exhibits high degree of volatility. Their prices depend on various parameters such as government policies, climatic conditions, global demand supply dynamics among others. Any sharp deviation in these commodity prices can have a significant impact on the operations of players such as AABL.

Rating Sensitivities

- Elongation in working capital cycle.

- Significant decline in revenues and profitability affecting the financial risk profile and liquidity position.

Liquidity Position

Adequate

The liquidity position of the company is adequate, marked by sufficient cash accruals generation to its maturing debt repayment obligations. The company generated cash accruals of Rs.17.38 Cr. against maturing debt repayment obligations of Rs.6.05 Cr. in FY2023. Further, the current ratio stood average at 1.52 times in FY2023 against 1.43 times in FY2022. The unencumbered bank and cash balances stood at Rs.4.38 Cr. as of March 31, 2023. The working capital operations of the company are moderate in nature, marked by GCA days of 74 days in FY2023 against 56 days in FY2022. However, the reliance on working capital limits stood high at 93.42% for the last nine months ending in December 2023. Going ahead, the company is expected to generate sufficient cash accruals in the range of Rs.18.40 Cr. - Rs.34.96 Cr. in FY2024 and FY2025 against repayment obligations of Rs.6.05 Cr. during the same period.

Outlook: Stable

Acuité believes that AABL will maintain a 'Stable' outlook over the medium term supported by experienced promoters, geographical diversification and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profit margins, leading to deterioration in financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2006.48	1954.56
PAT	Rs. Cr.	7.27	33.12
PAT Margin	(%)	0.36	1.69
Total Debt/Tangible Net Worth	Times	1.66	1.23
PBDIT/Interest	Times	2.19	5.16

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuite 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
05 Jan 2023	Cash Credit	Long Term	109.00	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	15.84	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	3.45	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	26.00	ACUITE BBB Stable (Assigned)
	Proposed Long Term Loan	Long Term	6.71	ACUITE BBB Stable (Assigned)
	Packing Credit	Short Term	39.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	109.00	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2025	Simple	9.34	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Union Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2025	Simple	2.03	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Union Bank of India	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE A3 Downgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.63	ACUITE BBB- Stable Downgraded (from ACUITE BBB)

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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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