Press Release
ABHA AGRO EXPORTS PRIVATE LIMITED
April 28, 2025
Rating Reaffirmed

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Total Withdrawn Quantum (Rs.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

Erratum- In the original PR dated on January 29,2025 one of the key information was missedinadvertently under 'Rating Rationale', which has now been added in this version.

Rating Rationale

Acuite has reaffirmed the long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus**o**)**n the Rs. 23.00 Cr. bank facilities of Abha Agro Exports Private Limited (AAEPL). The outlook is revised to **'Negative'** from **'Stable'**.

Rationale for Rating

The negative outlook is due to volatile operating revenues, reducing margins and change in the sales profile and geographic distribution of the company owing to ongoing economic and political tensions in Bangladesh. The reaffirmation of the rating is supported by its low leverage, healthy debt protection metrics, and strong liquidity position. The company maintains a conservative debt profile with a low gearing ratio of 0.09 times and a Total Outside Liabilities/Tangible Net Worth (TOL/TNW) ratio of 0.11 times, minimizing financial risk. Its interest coverage ratio (ICR) of 1.48 times and debt service coverage ratio (DSCR) of 1.08 times further indicate its ability to comfortably service debt. AAEPL also benefits from adequate liquidity, with a current ratio of 22.85 times and healthy cash balances, ensuring it can meet short-term obligations and manage working capital needs effectively. To this effect, the Company has also liquidated its mutual funds to support incremental working capital requirements. However, the company faces profitability pressures due to intense competition in the domestic market, with EBITDA margins significantly shrinking from 7.93% in FY2023 to 0.62% in FY2024. This has been exacerbated by the loss of higher-margin export sales to Bangladesh, which poses a key risk to future revenue generation. However, the company has been able to increase its operating income exponentially to Rs.742.57 crore (as on November 2024) in FY2025, by catering to the domestic market. The company is susceptible to changes in prices of products and intense competition in the domestic market.

About the Company

Incorporated in 2002, Abha Agro Exports Private Limited (AAEPL) is engaged in the trading of agricultural products namely, maize, pulses .soya doc and wheat. 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

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.

Healthy financial Risk Profile

The tangible net worth of the company stood at Rs.59.69 Cr. as on March 31, 2024 as compared to Rs.59.12 Cr. as on March 31, 2023 due to accretion to reserves. The gearing of the company stood modest at 0.09 times as on 31 March 31, 2024. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.11 times as on March 31, 2024 as compared to 0.83 times as on March 31, 2023. The debt protection metrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 1.48 times and debt service coverage ratio (DSCR) of 1.08 times for FY2024. The net cash accruals to total debt (NCA/TD) stood healthy at 0.11 times in FY2024.

Working Capital Management

The working capital management of the company is moderate marked by Gross Current Assets (GCA) of 32 days for FY2024 as compared to 59 days for FY2023. The reduction in GCA days are due to reduction in Advance tax paid in FY2024. The inventory days of the company stood at 5 days in FY2024 as compared to 4 days in FY2023. The products have a shelf life of 1 year and the company tends to stock up products during peak season which are Q1 and Q3. The debtor days stood at 15 days in FY2024 against 23 days in FY2023. The terms with customers are between 15-30 days. Days payable outstanding stood at 1 days in FY2024 nil in FY2023 as supplies are on advance payment basis or immediately.

Weaknesses

Volatile scale of operations

The company was primarily engaged in exporting maize (about 75%) to Bangladesh and trading maize and wheat domestically until FY23. However, in FY24, the company’s total operating income decreased by 20%, dropping to Rs. 393.10 crore, due to import restrictions imposed by Bangladesh to preserve its foreign currency reserves. Previously, the company had benefited from better pricing in the Bangladesh market, which resulted in higher EBITDA margins of 7.16% in FY22 and 7.93% in FY23. Since the imposition of these import restrictions, the company has shifted its focus to the domestic market, where it supplies maize primarily to starch and ethanol manufacturers at lower realizations. In FY24, the company’s sales were driven mainly by domestic sales of maize and wheat, where it faced stiff competition from numerous players, leading to lower profitability margins. Additionally, the company’s EBITDA margin fell to 0.62% in FY24, primarily due to higher freight costs and reduced profitability in other traded products such as soybeans, soy DOC, and red lentils.

Profitability susceptible to intense competition in domestic market

AAEPL’s profitability is susceptible to sharp volatility in the prices of traded goods as agri-commodity prices are generally market driven thus limiting bargaining power with the customers & suppliers. The company used to command premium prices in the export market at Bangladesh as was observed with higher margins in FY23 however, with the restrictions imposed in FY24, AAEPL had to sell its products in the domestic market which faces intense competition from many organized & unorganized players resulting in dip in the profitability margins.

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 adequate net cash accruals of Rs. 0.61 Cr. as on March 31, 2024 as against Rs. 0.42 Cr. long term debt obligations over the same period. The current ratio of the company stood comfortable at 22.85 times in FY2024. The cash and bank balance stood at Rs.6.25 Cr. for FY2023. Further, the working capital management of the company is moderate marked by Gross Current Assets (GCA) of 36 days for FY2024 as compared to 59 days for FY2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook: Negative

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	393.10	487.97
PAT	Rs. Cr.	0.58	25.88
PAT Margin	(%)	0.15	5.30
Total Debt/Tangible Net Worth	Times	0.09	0.46
PBDIT/Interest	Times	1.48	10.13

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Trading Entities: https://www.acuite.in/view-rating-criteria-61.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
17 Dec 2024	Cash Credit	Long Term	23.00	ACUITE BBB- | Stable (Reaffirmed)
24 Jan 2024	Cash Credit	Long Term	23.00	ACUITE BBB- | Stable (Reaffirmed)
16 Nov 2022	Cash Credit	Long Term	18.00	ACUITE BBB- | Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB- | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	23.00	Simple	ACUITE BBB- | Negative | Reaffirmed | Stable to Negative

Contacts

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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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