

Press Release

Brickwork Ratings assigns “BWR A-(SO)” to Amazan Capital Limited’s proposed secured structured Non Convertible Debenture (NCD) Issue of INR 25 crores

NCD Issue Rating: BWR A-(SO)

Outlook : Stable

Brickwork Ratings (BWR) has assigned BWR A-(SO) (Pronounced BWR A Minus (Structured Obligation)) Rating for **Amazan Capital Ltd.’s** proposed ₹ 25 crores secured NCD Issue. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

The rating has factored, inter alia, Amazan Group’s well qualified top management and the structure of the proposed secured NCD issue. The rating is however constrained by the limited track record of Amazan Group’s operations and especially that of Amazan Capital, highly competitive nature of the industry, attendant risks in dealing in agricultural commodities and the inter-dependencies inherent in the business model and risks arising there from.

The Amazan Group was established in 2003 by Mr. Joydeb Garai and comprises of 2 companies – Amazan Agro Products Ltd (AAPL) and Amazan Capital Ltd (ACL). AAPL is engaged in supply chain management of agricultural and food products. Initially the company was only engaged in trading; from 2008 onwards they began moving up the value chain to engage in processing and branding of agri-commodities. Amazan Capital is an NBFC – its primary aim is to function as the financing arm of AAPL; it will also serve as a financial intermediary for the vendors and customers of AAPL. AAPL’s product portfolio currently includes Edible Oil, Eggs and Grains and Cereals.

The Amazan Group plans to use the Warehouse Receipts route to fund the working capital needs of AAPL on a long term basis. The fund raising will be executed through Amazan Capital which will issue NCDs worth ₹ 25 crores and then make the funds available to AAPL. The debentures will have a tenure of 7 years and be secured by the inventory and receivables of AAPL. Both AAPL and ACL will execute legally enforceable documents to secure the proposed NCD issue. The services of an Escrow Banker and National Collateral Management Services Ltd. (NCMSL)

will be used to operate the collateral mechanism. AAPL will use a combination of physical inventory and PDCs to ensure that a security cover with a floor of 1 time and a cap of 1.25 times is maintained at all times. Any shortfall in funds available for interest and principal payments will be made good by AAPL under a “Shortfall Guarantee Agreement” between the Debenture Trustee, Amazan Capital, Amazan Agro and the Escrow Banker.

As per unaudited financials, Amazan Agro has achieved sales of ₹166 Cr and a net profit of ₹1.31 Cr in FY11. Net Profit Margin was at 0.87%. Total sales include sales of both branded and non-branded products – with the company’s focus on higher margin branded products, this segment is expected to form a greater part of sales in future. Currently AAPL does not have any long term debt on its books.

Considering the limited time of operations (less than one year) of ACL as well as its dependence on AAPL for cash flows and the structure of the NCD, the rating sensitivity of AAPL plays the main role in the rating process. Brickwork Ratings expects AAPL to infuse additional equity of about Rs.10 crores by October 2011, and augment its resources; and inability to do so may influence the rating assigned by Brickwork Ratings to this NCD.

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