

**Rating Rationale**

**Ajanta Soya Limited**

**07 Apr 2020**

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities amounting to ₹ 130 Cr of Ajanta Soya Limited ('ASL' or 'The Company')**

Facility**	Present Amount Rated (₹ Crs)	Tenure	Present Ratings
<b>Fund Based</b>	25.00	Long Term	<b>BWR BBB-Stable</b>
<b>Non-fund Based</b>	105.00	Short Term	<b>BWR A3</b>
<b>Total</b>	<b>130.00</b>	<b>INR One Hundred Thirty Crores Only</b>	

\*\* Details of facilities given in Annexure I.  
Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

**Rating Action/Outlook:**

BWR has assigned a long term rating of BWR BBB- (Stable) and Short term rating of A3.

The rating factors in the experience of the promoters along with the company's established market position for more than 2 decades, diversified product portfolio, established relationship with customers & suppliers, wide spread distribution network, moderate capital structure during FY19 and 9MFY20.

However, the rating is constrained by exposure to risks relating to volatility in raw material prices, forex risk and low profit margins attributed to the inherent nature of the industry. The rating is also constrained on account of Corporate Guarantee issued by the company to the lenders of its group company M/S Dhruv Global Ltd.

The outlook is stable as the company has been able to sustain the revenues from business operations in 9MFY20.

Going forward, the company's ability to improve its scale of operations and profitability along with credit metrics & liquidity position will be the key rating sensitivities

BWR has principally relied upon the audited financial results of ASL upto 31st March 2019, 9MFY20 provisionals and projected financials for FY20 and FY21 & publicly available information & information/ clarifications provided by the company's management.

### **Key Rating Strengths**

- **Extensive experience of management & group track record** - ASL commenced commercial operations in 1992 and has a successful track record of more than two decades in edible oil business. The company was established and is managed by the Goyal family, holding 46.85% equity stake in ASL as of December 31, 2019. Further they are assisted by a team of experienced professionals.
- **Diversified Product Portfolio & Market Share**– The company manufactures & sells CVanaspati, various kinds of refined oils and shortening products for bakeries like biscuits, puffs, pastries etc. They sell their products under brands viz. “Dhruv, Anchal & Parv” and enjoys reputed market share particularly in Northern India market i.e. Rajasthan, Delhi, Haryana, U.P, Punjab, Himachal, Uttarakhand, Uttar Pradesh, J&K, Bihar, Madhya Pradesh & Guwahati.
- **Established Clientele & Network**-Some of the key customers include Parle Biscuits Pvt Ltd, Haryana Food Products, Anmol Bakers Ltd, Bector's Food Specialities Ltd, Britannia Industries Ltd and Amrit Banaspati Ltd. The brands of ASL are backed by an extensive distribution network as the company operates through its strategically located depots in Jaipur, Noida, Meerut, Agra. Also, ASL has penetrated deeply in the market with its emphasis on providing value goods to consumers through its C&F agents and 500 dealers who are operative in major cities and rural areas of India.
- **Moderate Financial Risk Profile:** Total Operating income (TOI) has improved by 100.73 % to INR 694.65 Crs in FY19 from INR 346.05 Crs in FY18. Total Debt/TNW has improved to 0.53x times in FY19 from 0.66x in FY18. Moderate TNW of INR 44.34 Crs in FY19. In 9MFY20 the company achieved a TOI of INR 558.93 Crs with a PAT of INR 8.10 Crs.

### **Credit weaknesses**

- **Volatile raw material prices:** The main raw material of ASL is crude edible oil, prices of which generally exhibit high volatility. Company is dependent on imports for its raw material and any adverse fluctuations in raw material price is likely to impact the profitability of the company. However, in order to mitigate the risk of price volatility, ASL Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitment. Out of its total imports arounds 70% are only hedged. Since the company is not hedging its forex exposure fully, the company is exposed to volatility in forex.
- **Low Profit Margins & Intense Competition in the Industry :** The operating margins of edible oil refiners are generally low owing to low value addition involved in the business and fragmented nature of industry with the presence of large number of small-sized players and few large players in the branded segment.

- **Contingent Liability and investment in associate companies:** The company has issued Corporate Guarantee of INR 78.27 Crs to the lenders of its associate company Dhruv Global Ltd. and has also invested a sum of INR 4.52 Crs in the associate companies whereas its own net worth is modest at INR 44.34 crs as on 31.03.2019. Any further investment in group companies or exposure by way of contingent liability would be the key rating sensitivity.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below.

### **RATING SENSITIVITIES**

**Positive:** BWR may revise the ratings outlook to positive, in case of improved operating income & profitability margins, reduction in debt levels and strengthening the financial risk profile of the company

**Negative:** BWR may revise the rating outlook to Negative, in case reduction in operating income & profitability margins, increase in debt levels thereby impacting the credit profile of the company.

### **Liquidity Position (Adequate)**

The company has an adequate liquidity position. There are only long term unsecured borrowings from related parties & directors amounting to INR 7.95 Crs as on 31st March 2019. Against a CPLTD of INR 6.62 Crs in FY19 related to equipment loan installment, the company had a cash accruals of INR 3.43 Crs in FY19 & balance amount was paid via proceeds from unsecured loan from related parties & directors which was infused in FY19. There are no long term borrowings in FY20 & coming years, the company projected to generate cash accruals of INR 6.52 Crs in FY20 against NIL debt repayment obligation, thereby indicating an adequate liquidity position. Working Capital utilization is around 45% which provides a cushion for the future needs.

### **About ASL:**

ASL was incorporated on 13th January 1992 and promoted by Mr Sushil Kumar Goyal and his brothers. The promoter group holds 46.85% equity stake in the company & remaining 53.15% is with the public as on December 31, 2019. The company got listed on BSE in 1993. The company is engaged in manufacturing of Vanaspati, various kinds of refined oils and shortening products for bakeries like biscuits, puffs, pastries etc. The Company sells its products under brands viz. Dhruv, Anchal and Parv. They have 1 manufacturing unit in India with a capacity of 1,20,000 MT per annum which is located in Bhiwadi, Rajasthan. It is an ISO 22000:2005 certified company and has well supported rapid working systems for all of their Quality controls.

### Key Financial Indicators (Standalone)

Key Financials			
	Units	31/Mar/2018	31/Mar/2019
Result Type		Audited	Audited
Total Operating Income	₹ Cr	346.05	694.65
OPBDIT	₹ Cr	0.04	2.83
PAT	₹ Cr	0.94	-0.40
Tangible Net Worth	₹ Cr	44.63	44.34
Debt/TNW	Times	0.66	0.53
Current Ratio	Times	1.26	1.18

**Key Covenants of the Instrument/Facility Rated:** Not Applicable

**Status of non-cooperation with previous CRA (if applicable): Reason and comments:** NA

**Any other information:** NA

### Rating History for the last three years:

S.No	Name of Instrument	Current Rating (2020)				Rating History		
		Type	Tenure	Amount (In Crs)	Rating	2019	2018	2017
1	Bank Loan	Fund Based	Long Term	25.00	BWR BBB-Stable	NA	NA	NA
		Non Fund Based	Short Term	105.00	BWR A3	NA	NA	NA
Total				130.00	INR One Hundred Thirty Crores Only			

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria - Manufacturing Sector](#)

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**Ajanta Soya Ltd**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	State Bank of India	Cash Credit	25.00	-	25.00
		BG	-	2.00	2.00
		LC	-	53.00	53.00
		CEL	-	6.00	6.00
2	Standard Chartered Bank	LC	-	30.00	30.00
		Proposed LC	-	10.00	10.00
		Proposed CEL	-	4.00	4.00
<b>TOTAL</b>					<b>130.00</b>

**Total: INR One Hundred Thirty Crores Only**



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**About Brickwork Ratings:** Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

#### **Disclaimer**

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