



Rating Rationale

Awadh Oils Pvt Ltd

12 Mar 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 7.50 Crores of Awadh Oils Pvt Ltd...

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2018)	Present
Fund based: CC	7.50	7.50	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Total	7.50	7.50	INR Seven Crores Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon Awadh Oils Pvt Ltd (AOPL) Audited Financial Statements from FY16 to FY18 for ease in understanding and comparison. AOPL has also provided the projected financial statements for FY19 & FY20, publicly available information and information / clarification provided by the AOPL management.

The ratings assigned to the bank facilities of AOPL draws strength from extensive experience of the promoters, improved scale of operations, moderate gearing, comfortable coverage ratios, moderate liquidity profile.

The ratings are however constrained by low level of owners funds, thin profitability margins, competitive nature of the industry, inherent risk of agro climatic conditions

Going forward the ability of the company to accelerate its scale of operations, increase its profit margins, Compliance of Bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities.



Description of Key Rating Drivers

- **Credit Strengths:**

Extensive experience of the promoters: The directors Rajendra Goyal and Vipin Goyal have an experience of about three decades in this field.

Improved scale of operations: Improved scale of operations with the TOI standing at Rs 54.59 Cr in FY18 as compared to Rs 30.52 Cr in FY17.

Moderate Gearing: Moderate gearing with the Total Debt/ TNW standing at 1.61x in FY18 as compared to 1.42x in FY17 and the TOL/TNW standing at 1.76x as compared to 1.45x in FY17.

Comfortable coverage ratios: Comfortable coverage ratios with the ISCR and DSCR at 1.82x & 1.49x respectively in FY18 as compared to 0.92x & 1.50x respectively in FY17.

Moderate liquidity profile: Moderate liquidity profile with the current ratio standing at 1.31x in FY18 as compared to 1.30x in FY17.

- **Credit Risks:**

Low level of owner's funds: Low owner's capital with the TNW standing at Rs 5.18 Cr in FY18 as compared to Rs 4.79 cr in FY17.

Thin profitability margins: Thin profitability with the net profit margin at 0.71% in FY18 as compared to 0.65% in FY17.

Competitive nature of the industry: With the presence of a large number of established as well as unorganised players, the firm faces stiff competition from cheaper varieties of imported edible oils. Along with this, the vulnerability of demand and profitability to movements in global edible oil prices and changes in duty structure can impact the competitiveness of various oils.

Inherent risk of agro climatic conditions: Any adverse impact of agro-climatic conditions on the domestic production of the edible oils (especially mustard oil) could impact the volume.

Liquidity profile: The average CC utilization of the CC facility in the last 6 months is 82.33%. The company has cash and cash equivalents amounting to Rs 0.35 Cr in FY18. The current ratio of the company stands at 1.31x in FY18 and AOPL has no term debt liability.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



Rating Outlook: *Stable*

BWR believes the **Awadh Oils Pvt Ltd** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

AOPL was incorporated in 1997 by Mr. Rajendra Ji Goyal and Vipin Ji Goyal and primarily manufactures mustard oils and mustard cake. The company has an installed capacity of 5,400mt edible oil and 10,000mt cake per annum and utilizing. The company’s processing unit is located in Morena, Madhya Pradesh. AOPL also trades in rice bran oil, mustard oil, other edible oils and food grains. The company caters to the markets in Chattisgarh, Orissa, Assam, Bihar, West Bengal, Uttar Pradesh and other North-eastern regions of the country. The company sells its products under the brand names Agri Drop and Active Heart. As per company, it has launch a new brand name ' Kala Ghoda'. This brand is purely mustard oil and launched in Hyderabad, Mumbai, Nagpur, Raipur etc.

Company Financial Performance

During FY17, the total operating income of AOPL stood at Rs.30.52 crore (vis-à-vis Rs.54.59 crore in FY18), whereas the PAT during the same year stood at Rs.0.20 crore (vis-à-vis Rs 0.39 crore in FY18). DSCR stood at 1.50 Times in FY17 as compared to 1.49 Times in FY18.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	April, 2018	2017	2016
1	Fund Based: CC	Long term	7.50	BWR BB- (Pronounced as BWR BB Minus) Outlook: Stable	BWR BB- (Pronounced as BWR BB Minus) Outlook: Stable	NA	NA
	Total		7.50	₹ Seven Crores Fifty Lakhs Only			

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



Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	54.59	30.52
EBITDA	₹ Cr	1.31	0.49
PAT	₹ Cr	0.39	0.20
Tangible Net worth	₹ Cr	5.18	4.79
Total Debt/Tangible Net worth	Times	1.61	1.42
Current Ratio	Times	1.31	1.30

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

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

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.