



## Rating Rationale

### Awadh Oils Private Limited

6-April-2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 7.50 Crores of Awadh Oils Private Limited (AOPL).

#### Particulars

| Facility               | Amount (₹ Crs) | Tenure                                | Rating*  |
|------------------------|----------------|---------------------------------------|--|
| Fund based Cash Credit | 7.50           | Long Term                             | BWR BB-<br>(BWR Double B minus)<br>Outlook: Stable |
| Total                  | 7.50           | INR Seven Crores and Fifty Lakhs Only |  |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of AOPL upto FY17 and information and clarifications provided by the Company.

#### Description of Key Rating Drivers

The rating continues to factor in promoter's experience in the edible oil business, established relationship with the customers and suppliers, locational advantage, favourable demand prospects for edible oil. However, the rating is constrained by low profitability margins, weak interest coverage ratio, working capital intensive operations, highly competitive and fragmented industry and vulnerability of profit margins to fluctuations in raw material prices.

Going forward, the ability of the firm to stabilize its revenues, increase capital levels and profitability, manage working capital efficiently will be the key rating sensitivities.

#### Description of Key Rating Drivers

##### Experienced promoters



The promoters Mr. Rajendra Kumar Goyal and Mr. Vipin Chand Goyal have three decades of experience in the industry. Such a long presence in the industry has helped the company to establish strong relationship with its suppliers and customers.

**Strategic location of the plant:**

The company's plant is located in Morena, Madhya Pradesh in close proximity to sources of raw material sources.

**Modest Scale of operations along with low PAT margins:**

The scale of operations has remained modest marked by a total operating income of ₹28.07 crores in FY17 and cash accruals of ₹0.27 crores. The revenue has been decreasing from the last three years due to decline in edible oil sales and the net profit margins remained low due to high interest expense which also resulted in weak interest coverage ratio. However, the sales for the company has improved during 11MFY18.

**Profitability is exposed to high competition, agro climatic risk and regulatory risk:**

Limited bargaining power due to fragmented nature of the edible oil industry. The profitability is also vulnerable to agro climatic changes, movements in global edible oil prices and changes in duty structure.

**Raw material price fluctuation risk:**

The entities in edible oil industry are susceptible to fluctuations in raw material prices. Mustard seeds being agricultural products, its demand and supply situation depends on agro climatic conditions.

**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 Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

**About the Company**

AOPL was incorporated in 1997 by Mr. Rajendra Kumar Goyal and Mr. Vipin Chand Goyal and primarily manufactures mustard oils and mustard cake. The company has an installed manufacturing capacity of 5,400 MT edible oil and 10,000 MT cake per annum. 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 sells its products under the brand names Agri Drop, Active Heart, Kala Ghoda etc.

### Company Financial Performance

Net sales from operations was at ₹30.52 crores in FY17 against ₹35.04 crores in FY16. The net profit of the company was at ₹0.20 crores in FY17 as against ₹0.22 crores in FY16.

### Rating History for the last three years

| S.No | Instrument /Facility | Current Rating (2018) |                |  | Rating History |      |      |
|------|----------------------|-----------------------|----------------|--|----------------|------|------|
|      |                      | Type                  | Amount (₹ Crs) | Rating                                     | 2017           | 2016 | 2015 |
|      | <b>Fund Based</b>    | Long Term             | 7.50           | <b>BWR BB-<br/>(Outlook:<br/>Stable)</b>   | -              | -    | -    |
|      | <b>Total</b>         |                       | <b>7.50</b>    | <b>₹ Seven Crores and Fifty Lakhs Only</b> |                |      |      |

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

Any other information

### Key Financial Indicators

| Key Parameters                | Units | 2017    | 2016    |
|-------------------------------|-------|---------|---------|
| Result Type                   |       | Audited | Audited |
| Operating Revenue             | ₹ Cr  | 5.04    | 35.04   |
| EBITDA                        | ₹ Cr  | 0.49    | 1.29    |
| PAT                           | ₹ Cr  | 0.20    | 0.22    |
| Tangible Net worth            | ₹ Cr  | 4.79    | 4.80    |
| Total Debt/Tangible Net worth | Times | 1.42    | 1.45    |
| Current Ratio                 | Times | 1.30    | 1.32    |



## Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

| Analytical Contacts  | 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has



rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**

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