

Agrocrops India Limited

September 08, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable (Double B Plus; Outlook: Stable) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of facility in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable' [Double B Plus; Outlook: Stable] assigned to the bank facilities of Agrocrops India Limited with immediate effect. The above action has been taken at the request of Agrocrops India Limited and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations

Since FY15, ACI's scale of operation has been declining due to various market dynamics. Meanwhile, the company also decided to become a processor as trading had also turned not that very lucrative as there have been newer plantations that have come up in Africa from where peanuts are traded. Subsequently, from November 2016, ACI started processing peanuts and exporting to end-user customers (mainly snack food manufacturers) with high quality standards without any mould growth, condensation and aflatoxin inflammation. ACI continued to increase its processing capacity by investing in imported machineries to process peanut without human touch processing and enclosed tubular conveyors to avoid contamination. The transition of the company from trading to processing industry has reduced the scale of operations over the past three years. However, improved realisation from the exporting of processed quality peanuts to snack companies has fetched higher margins which consistently increased the operating margins of the company. ACI has transferred its business of trading of peanuts, chillies, sesame seeds and other agro products to its subsidiaries in FY21. ACI generated revenue of Rs.106.69 crore for FY21 as compared with Rs.143.51 crore for the year FY20, whereas the operating margins were 5.14% and 9.33% for the years FY21 and FY20 respectively. The company has signed up contract with few new reputed FMCG snack companies which is likely increase the capacity utilisation and total operating income in the current year.

Volatility in agro-based raw material availability and price

As the raw materials are agricultural commodities, this makes ACI's production dependent on vagaries of nature (particularly monsoon), cultivation process, actual production levels, and government intervention such as MSP and demand supply scenario. The company is exploring various options including purchasing from various sources to mitigate this risk. The company is also planning to increase its procurement from contract farming. The availability of peanut during the October harvest season is expected to be higher than the May harvest season due to adequate rainfall in the country in the current year. Going forward, the company's ability to source quality peanuts at competitive rates for processing would be key for its prospects.

Key Rating Strengths

Long and established track record of the promoters in the business

Mr Lokasundaram is a first-generation entrepreneur started trading peanuts on a small scale from 1980. He established his operations along southern part of India. After three decades of operations his son Mr Saravanan Lokasundaram took over his business and incorporated ACI in March 2008 and started exporting peanuts. ACI exports peanuts predominantly to south East Asian countries like Thailand, Malaysia, Phillipines, Vietnam etc. ACI has an established market position in exporting peanuts from India. In 2015 ACI established a brand called "pnut king" through which it exports peanuts. Mr Saravanan, transitioned ACI from a pure commodity trader to a processor due to potential of higher margins and stable demand from end user industry. Since November 2016, ACI started exporting processed peanuts which fetches higher margin than trading. The day to day operations are managed by Mr Saravanan Lokasundaram.

Comfortable leverage position and debt coverage indicators

The company's capital structure is comfortable with an overall gearing of 1.44x as on March 31, 2021 as against 1.21x as on March 31, 2020. Overall gearing declined marginally on account of increased working capital borrowings and increase in term debt. ACI had total debt of Rs.67.50 crore as on March 31, 2021 out of which Rs.14.94 crore is working capital borrowings and Rs.34.88 crore is from promoters. The loan from the promoters does not have defined interest and repayment commitments. ACI had an interest coverage ratio of 3.05x and total debt to gross cash accruals stood at 19.52 years for the year FY21.

Liquidity

ACI's liquidity position is stretched in nature with higher level of fund-based working capital utilisation. The company's exporting of processed peanuts is working capital intensive with higher collection period and has resulted in the higher working capital utilisation. The operating cycle of the company increased from 4 days in FY18 to 117 days in FY21 due shift in nature of business and customer profile of ACI. The banker indicated that the average fund-based limit utilisation stands at 100% for the past twelve months ended July, 2021. The company had a moderate cash balance of Rs.0.16 crore as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Rating](#)

[Criteria for Short Term Instruments](#)

[Manufacturing Companies](#)

[CARE's default recognition policy](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non- Financial Sector Entities](#)

About the company

Agrocrops Exim Limited was incorporated on March 27, 2008 as a trading company by Mr Saravanan lokasundaram which was subsequently renamed as Agrocrops India Limited on February 06, 2019. Mr Saravanan has a decade of experience in peanuts grading, processing and marketing it to South East Asian countries. The day to day operations are managed by Mr Saravanan. ACI has a processing facility for peanuts at Gujarat and Manali, Chennai with an installed capacity of 480 tonnes and 240 tonnes per day respectively.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total Operating Income	143.51	106.69
PBILDT	13.39	5.49
PAT	6.80	0.53
Overall Gearing (times)	1.21	1.44
Interest coverage (times)	12.03	3.05

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	May 2024	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Working Capital Limits	LT	-	-	-	1)CARE BB+; Stable (06-Oct-20)	1)CARE BB+; Stable (23-Sep-19)	1)CARE BB; Stable (27-Feb-19)
2.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable (06-Oct-20)	1)CARE BB+; Stable (23-Sep-19)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure-4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT-Working Capital Limits	Simple

Annexure 5: Bank Lender Details

[Click here to view Bank Lender Details](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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