

## AB Udyog Private Limited (Revised)

October 11, 2022

### Ratings

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	29.29	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	1.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>30.29</b> <b>(₹ Thirty Crore and Twenty-Nine Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from AB Udyog Private Limited (ABUPL), however, after repeated requests, ABUPL has not Provided the data. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on the bank facilities of ABUPL will now be denoted as CARE BB+ Stable; ISSUER NOT COOPERATING\*/ CARE A4+ ISSUER NOT COOPERATING.\*.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.**

The ratings have been revised on account of non-receipt of Information from the client.

### Detailed description of the key rating drivers

At the time of the last rating on July 16, 2021, the following were the rating strengths & Weaknesses:

#### Key rating weaknesses

##### Short track record of operation

AB Udyog Private Limited is a relatively small player in the edible oil industry with short track record. It was incorporated in March 2017 and commercial operation started from February 2019. In FY20 it has reported TOI of Rs. 243.77 cr which increased to Rs.316.57cr in FY21. Although the track record of company in rice bran oil is short, promoters have been in rice bran trading business for over decades through other group entities. By the virtue of long presence of promoters in agro trading business it has been able to procure around 20%-30% of rice bran (major raw material) requirement from group entities.

##### Being an agro-based commodity, the prospects are subject to vagaries of nature

Rice bran, the major input for Rice bran Oil (RBO) is obtained from paddy, an agro produce. Given the lack of adequate irrigation facilities, the cultivated amount of paddy highly depends upon monsoons and thus, is subjected to the vagaries of nature.

##### High degree of competition resulting from fragmented nature of the edible oil industry along with strong threat from a number of substitute products

Due to low entry barriers, the Indian edible oil processing segment is highly fragmented and competitive due to presence of various small players. Most of the manufacturers offer similar products with little difference which competes resulting in lower margins for most of the players. Further, availability of varieties of edible oils such as mustard oil, sunflower oil, soya bean oil, etc., which can be substituted for one another also adds on the competition.

##### Moderate capital structure

Debt profile of the company primarily consists of term loans and working capital borrowings. Unsecured loans aggregating Rs.9.42cr (out of total Rs.10.11cr) have been subordinated to bank debt and accordingly has been considered as quasi equity. As on Mar 31, 2021, overall gearing remained moderate at 3.12x. Total debt as on Mar. 31, 2021 increased y-o-y due to

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

availment of GECL of Rs.5.00 cr and higher working capital borrowings. Despite increase in total debt, on account of the increase cash accruals TDGCA improved to 5.34x in FY21 as against 6.95x in FY20.

### **Key rating strengths**

#### **Improvement in financial performance in FY21, albeit low profitability margin**

Total operating income of the company increased by ~30% y-o-y in FY21 backed by increase in both volumes and average realisations of rice bran oil, whereas the volumes and average realisations of De-oiled rice bran (by product) witnessed decline. Although operating margin improved by 45bps in FY21 over FY20, it remained low due to low value addition and fragmented nature of industry. Due to improvement in PBILDT coupled with lower interest expense (on account of gradual repayment), interest coverage improved from 2.08x in FY20 to 2.92x in FY21. Apart from scheduled debt repayments, it had made prepayments to the tune of Rs.0.73cr in FY21 and Rs.1.36 cr. in Q1FY22.

#### **Diversified and reputed Customer base**

ABUPL has diversified customer base with top 10 customers contributing only 37% of revenue in FY21(~ 49% of in FY20). Customer base of ABUPL includes edible oil companies which are packing in their own brand, feed manufacturers and bulk consumers. Customer base includes some of the large domestic edible oil companies such as Adani Wilmar Ltd, Vijay solvex Limited, etc. and animal feed manufacturers like India Dairy Feeds Private Ltd, West Bengal Livestock Development Corporation Ltd. etc. The company continues to receive repeat orders from them.

#### **Strategic location of the unit in the paddy growing region**

Among the rice producing states in India, West Bengal is by far the most important producer and ranks the leading position. The major rice producing districts in the state are Burdwan, Medinipur, North and South 24 Parganas. Being located in Burdwan, ABUPL enjoys proximity to major rice growing area, thereby ensuring timely and adequate supply of rice bran.

**Analytical approach:** Standalone

#### **Applicable criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

#### **About the company**

A B Udyog Private Limited (ABUPL) was incorporated in March 2017 with an objective to enter in the business of extraction and refining of rice bran oils. After setting up its extraction and refinery unit; the company has started its commercial operation from February 2019. The manufacturing unit of the company is located at Burdwan, West Bengal with an installed capacity of 250 metric tons per day [MTPD] (for solvent extraction) and 100 MTPD (for refining oils). Mr.Shekhar Agrawal and Mr. Subhash Chand Bansal are associated with the company since its inception and look after the day to day operation of the company along, with adequate support from a team of experienced personnel.

<b>Brief Financials (₹ crore)</b>	<b>March 31, 2020 (A)</b>	<b>March 31, 2021 (A)</b>	<b>March 31, 2022 &amp; H1FY23(U/A)</b>
Total operating income	243.77	316.57	NA
PBILDT	6.01	9.23	NA
PAT	0.89	3.24	NA
Overall gearing (times)	3.16	3.12	NA
Interest coverage (times)	2.08	2.92	NA

A: Audited; NA: Not Available; U/A: Unaudited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** 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 facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	2025	10.29	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	19.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	CARE A4+; ISSUER NOT COOPERATING*

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	10.29	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (16-Jul-21)	1)CARE BB+; Stable (06-Jul-20)	1)CARE BB-; Stable (22-Jan-20)
2	Fund-based - LT-Cash Credit	LT	19.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (16-Jul-21)	1)CARE BB+; Stable (06-Jul-20)	1)CARE BB-; Stable (22-Jan-20)
3	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (16-Jul-21)	1)CARE A4+ (06-Jul-20)	1)CARE A4 (22-Jan-20)

\*Long term/Short term.

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

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

#### Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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### Disclaimer:

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