Ambar Protein Industries Limited

August 17, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	15.14	CARE BB+; Stable	Assigned
Long-term / Short-term bank facilities	5.00	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Ambar Protein Industries Limited (APIL) are constrained on account of its limited profitability due to low value additive nature of business and susceptibility of profit margin to raw material price volatility. The ratings are also constrained due to moderate capital structure on a low net worth base and its presence in a highly fragmented and competitive edible oil industry.

The ratings, however, derive strength from APIL's experienced promoters with long track record of operations in the edible oil industry, moderate scale of operations with benefits derived from established brand name of 'Ankur' in western India, and its adequate liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume-based growth in the scale of operations to above ₹500 crore on a sustained basis.
- Improvement in profitability margins as marked by profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 3.00% on a sustained basis.
- Improvement in the net worth base to above ₹30.00 crore along with improvement in overall gearing to below unity on a sustained basis.

Negative factors

- Decline in the scale of operations below ₹300 crore and PBILDT margin below 2.00% on a sustained basis.
- Deterioration in the capital structure as marked by overall gearing ratio of above 2.00x on a sustained basis.

Analytical approach: Standalone approach while factoring linkages with its Group Partnership firm 'Ankur Oil Industries', having common promoters and being the largest customer of APIL (around 70% of overall sales in FY23). Both the entities also share the same strong brand name 'Ankur', established in Gujarat.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that APIL will continue to benefit from long-standing experience of its promoters in the industry along with its royalty free right and licence to use the established brand name of 'Ankur' for branding and sale of its products.

Detailed description of the key rating drivers:

Key weaknesses

Limited profitability

APIL is mainly engaged in refining and selling of cottonseed oil. Due to limited value addition in this business and presence in a highly fragmented and competitive industry, APIL's profitability stood low for the last three financial years ended FY23. During FY23, the PBILDT and profit after tax (PAT) margins of the company stood at 2.10% (P.Y: 2.79%) and 0.82% (P.Y: 1.31%), respectively. Going forward, CARE Ratings expects the profitability margin to remain range bound over the medium term.

Susceptibility of profit margin to raw material price volatility

The cottonseed oil industry is exposed to the agro-climatic risk and the margins are susceptible to fluctuations in the raw material prices. The prices of raw cotton are highly volatile in nature and depend upon factors like area under production, yield for the

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

year, international demand-supply scenario, export quota decided by government and others. The company procures cotton raw oil/crude oil (raw material) from crushing oil mills on back-to-back order basis, the prices of which are market driven. Due to this and established brand name of 'Ankur', CARE Ratings notes that APIL has been able to pass on adverse fluctuation in raw material prices gradually to an extent.

Moderate capital structure on a low net worth base

APIL's capital structure stood moderate with overall gearing of 1.36x as of FY23-end. It improved from 1.94x as of FY21-end due to accretion of profit to reserves while debt levels remained largely stable. However, the net worth continued to remain low at ₹21.93 crore as on March 31, 2023.

Furthermore, during FY23, debt coverage indicators also remained moderate with PBILDT interest coverage and total debt to gross cash accruals (GCA) of 2.87x (P.Y: 3.52x) and 6.83x (P.Y: 5.79x), respectively. CARE Ratings expects the capital structure to remain moderate in near to medium term with continued reliance on debt for its working capital and capex requirement, going forward. APIL is planning to set up new Sunflower refinery capacity at Changodar, Gujarat, with an estimated cost of ₹6-7 crore, to be funded partially by debt.

Highly competitive and fragmented nature of industry

The edible oil industry is highly competitive with presence of both large national players and multiple regional players. Along with logistics and supply chain capability, the large integrated players have a sizeable oil processing and packaging scale with wide distribution network. Thus, profitability of small and mid-sized players is inherently low and is further exposed to movement in prices of raw material, finished goods and other substitutes. Being part of a highly fragmented industry, APIL is faced with intense pricing competition, and hence, cannot fully pass on the price increases to its customers in case of sharp movement in the raw material price in short duration, thereby constraining its profitability.

However, with increase in brand awareness, health consciousness and penetration of organised retail, the size of the branded edible oil industry is likely to increase which bodes well for branded refined oil players.

Key strengths

Experienced promoters with long track record of operations

Pradeep Khetani looks after the overall operations of APIL in the capacity of Managing Director along with Pradeep Shah, Chairman & Independent Director of the company, and Jayprakashbhai Vachhani, whole-time director, and other directors. The promoters in APIL are also partners in Ankur Oil Industries, who have vast experience in the edible oil industry. Furthermore, the promoters are resourceful and have been infusing funds in the company over the years to fund various business requirements.

Moderate scale of operations and association with established brand name 'Ankur'

The total operating income (TOI) of the company grew at compounded annual growth rate (CAGR) of around 4% over the last three years ended FY23. The company registered TOI of ₹345.13 crore in FY23 against ₹339.75 crore registered in FY22, registering volume-driven growth of 2% over the previous year. CARE Ratings expects the scale to remain moderate over the medium term with some addition in the revenue expected from commencement of operations from its proposed sunflower refining capacity, going forward.

Furthermore, APIL has been granted royalty free right and license to use the established brand name of 'Ankur' for the purpose of branding and sale of its products (i.e., refined edible oils) effective vide a trademark license agreement signed on April 01, 2006. This association with the established brand of Ankur Oil enables the company to have a wider customer reach and recall mainly in Gujarat.

Liquidity: Adequate

The liquidity position of the company remained adequate characterised by sufficient cushion in accruals vis-à-vis low repayment obligations and moderate operating cycle. The company reported GCA of ₹4.37 crore during FY23 and is expected to generate GCA in excess of ₹5.00 crore in FY24 as against repayment obligations under ₹1.00 crore. Furthermore, the operating cycle stood lean at 30 days in FY23 due to low credit period terms and limited inventory holding. The average utilisation of working capital limits remained high at more than 90% during past 12-month period ending July 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

APIL (CIN: L15400GJ1992PLC018758) was originally incorporated on December 31, 1992, as Moti Protein Industries Limited. The company was taken over by 'Ankur Oil Group' in 2003 and was renamed as Ankur Protein Industries Limited, which was then subsequently changed to APIL in 2015. APIL is promoted by Jayprakashbhai Vachhani and Pradip Khetani along with other directors. The company is engaged in refining of cotton seed oil and trading of refined cottonseed, groundnut oil, refined sunflower, refined maize oil and soybean oil. APIL's refining plant is situated at Chandgodar in Gujarat with a capacity of 200 tons of refined oil per day as on March 31, 2023. APIL has been granted royalty free right and license to use the brand name of 'Ankur' for the purpose of branding and sale of its products, i.e., refined edible oils.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	313.30	339.75	345.13
PBILDT	7.84	9.47	7.26
PAT	3.45	4.45	2.81
Overall gearing (times)	1.94	1.76	1.36
Interest coverage (times)	2.96	3.52	2.87

A: Audited Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/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-Bank Overdraft		-	-	-	2.00	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	May 2026	3.14	CARE BB+; Stable
Fund-based - LT/ ST-Working Capital Demand loan		-	-	-	5.00	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable				
2	Fund-based - LT-Bank Overdraft	LT	2.00	CARE BB+; Stable				
3	Fund-based - LT-Term Loan	LT	3.14	CARE BB+; Stable				
4	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST*	5.00	CARE BB+; Stable / CARE A4+				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - LT/ ST-Working Capital Demand loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the 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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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