

## Ambar Protein Industries Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	13.54 (Reduced from 15.14)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	5.00	CARE BB+; Stable / CARE A4+	Reaffirmed

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

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Volume-based growth in the scale of operations with TOI above ₹500 crore
- Improvement in profitability margins as marked by profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 3.00% on a sustained basis.
- Increase 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 i.e. 'Ankur Oil Industries' (Ankur), having common promoters and being the largest customer of APIL (around 73% of overall sales in FY24). Both the entities also share the same strong brand name i.e. 'Ankur'.

### 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

##### Moderate Profitability which susceptible to raw material price volatility

APIL is mainly engaged in refining of cottonseed oil wherein the profitability margins are moderate due to limited value addition. The profitability of APIL remained moderate as marked by PBILDT margin and profit after tax (PAT) margin of 2.14% (P.Y: 2.10%) and 0.93% (P.Y: 0.82%) respectively for FY24. Gross cash accruals (GCA) of the company stood at ₹4.10 crore during FY24 (P.Y: ₹ 4.4 crore).

The prices of raw cotton (key raw material) are highly volatile in nature and depend upon factors like area under production, yield for the international demand-supply scenario, export quota decided by government and others. The company procures crude cotton oil from crushing oil mills on back-to-back order basis, the prices of which are market driven and also depends upon the price differential with other alternatives. However, due to its 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 and debt coverage indicators

The capital structure of the company improved slightly as marked by overall gearing of 1.02x at FY24 end (P.Y: 1.36x). However, the net worth of the company stood low at ₹ 25.50 (PY: ₹21.93 crore) which limits its financial flexibility. The debt coverage indicators of APIL remained moderate as marked by PBILDT Interest coverage and total debt to GCA stood moderate at 2.9x (P.Y:2.9x) and 6.20x (P.Y:6.80x) respectively.

<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

### Presence in highly competitive and fragmented edible oil 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'

APIL operates on the moderate base with TOI of ₹ 337 crore during FY24 which largely remained stable as compared with ₹ 345 crore in FY23 (Audited). Overall capacity utilisation remained moderate at 41% during FY24 (FY23: 30%).

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 brand recall mainly in Gujarat.

#### Liquidity: Stretched

The liquidity position of APIL remained stretched as marked by high utilization of fund-based limits which remained at 96% for trailing 12-month period ended on March 31, 2024. Also it has low free cash and bank balance of ₹ 1.08 crore as on March 31, 2024 (FY23: ₹ 1.13 crore). It reported cash flow from operation of ₹7.26 crore during FY24 (FY23: ₹6.26 crore). However, APIL has low debt repayment obligation of ₹ 0.05-1.20 crore as against envisaged GCA of ₹ 4.5-5.20 crore for FY25-FY27. It has lean operating cycle of 30 days (FY23: 30 days). Additionally, cushion is available in the form of seasonal working capital demand loan of ₹ 5.00 crore (available from December to April every year, subject to renewal each year, in the last year APIL did not avail it.)

#### Assumptions/Covenants: Not applicable

#### Environment, social, and governance (ESG) risks: Not mandatory

#### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### 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, 2024. 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 (Rs. Crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	345.13	337.55
PBILDT	7.26	7.71
PAT	2.81	3.15
Overall gearing (times)	1.36	1.02
Interest coverage (times)	2.87	3.14

A: Audited UA: Unaudited; 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	Coupon Rate (%)	Maturity Date	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	1.54	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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable	-	1)CARE BB+; Stable (17-Aug-23)	-	-
2	Fund-based - LT-Bank Overdraft	LT	2.00	CARE BB+; Stable	-	1)CARE BB+; Stable (17-Aug-23)	-	-
3	Fund-based - LT-Term Loan	LT	1.54	CARE BB+; Stable	-	1)CARE BB+; Stable (17-Aug-23)	-	-
4	Fund-based - LT/ST-Working Capital Demand loan	LT/ST	5.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (17-Aug-23)	-	-

LT: Long term; ST: Short term; LT/ST: 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](mailto:care@careedge.in) for any clarifications.

## Contact us

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