Emami Agrotech Limited

March 28, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	754.28 (Reduced from 872.06)	CARE BBB+; Stable	Reaffirmed and removed from Rating Watch with Negative Implications; Stable outlook assigned
Short-term bank facilities	5,720.00 (Reduced from 6,270.40)	CARE A2	Reaffirmed and removed from Rating Watch with Negative Implications

Details of facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has removed the 'Rating Watch with Negative Implications' and reaffirmed ratings of Emami Agrotech Limited (EAL) assigning a 'Stable' outlook. Earlier on October 28, 2024, ratings were placed under watch with negative implications following the intimation of receipt of closure notice from Gujarat Pollution Control Board (GPCB) for EAL's edible oil refining facility at Kandla, Gujarat, which contributes to ~25% of the company's total operating income (TOI).

The rating action follows resumption of the plant operations with no material impact on the company's business performance. Operations resumed in November 2024 with GPCB revoking the closure on deposit of environment damage compensation, and submission of bank guarantee, safety audit report and detailed remedial action taken report. The Company is in receipt of extension for continuation of operations for further six-month period in February 2025.

Ratings continue to derive strength from the company being a part of the established Kolkata-based Emami group with demonstrated fund-support to EAL in the past. EAL continues to have a sizeable scale of operations in the edible oil industry and has gradually increased its capacity over the years. The company has established brands 'Himani' and 'Emami' and continues to have a strong distribution network for its products with presence in over 15 states across the country.

Ratings continue to be constrained by significant cash losses incurred by the company in FY23 (refers to April 01 to March 31) and FY24 resulting in weakening in the debt protection metrics. Apart from the significant volatility in raw material procurement prices and unfavourable movement in the domestic market against the hedged positions on commodity exchange in the first half of FY24, profitability was also impacted due to the inability to ramp up production and high-brand building expenses. However, ratings take cognisance of improvement in performance in 9MFY25, where performance is expected to sustain with company strengthening its risk management policies and implementing various measures to arrest losses. Ratings continue to remain constrained by limited value addition and intense competition. The significant dependence on import of raw materials exposes the company to foreign exchange fluctuation risk, commodity price fluctuation risk, and regulatory risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume-driven growth in scale of operations on a sustained basis through greater diversification.
- Improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin to over 3% and profit after tax (PAT) margin to over 1% on a sustained basis.
- Improvement in net total outside liabilities to tangible net worth (TOL/TNW) to below 2.5x on a sustained basis.

Negative factors

- Net TOL/TNW remaining above 4x on a sustained basis.
- Significant decline sales volume leading to substantial degrowth in TOI.

Analytical approach: Consolidated

For arriving at ratings, CARE Ratings has considered the consolidated business and financial risk profiles of EAL and Emami Biotech (Singapore) Pte Ltd (EBSPL). The subsidiary is engaged in trading, importing, exporting palm oil and other by-products, and extension services. The list of companies being consolidated is given in **Annexure – 6**.

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

Outlook: Stable

The stable outlook reflects the company shall continue to benefit from its established brand position and financial flexibility available to it as a part of the Emami group and demonstrated support from the group to the company, which is expected to continue going forward.

Detailed description of key rating drivers:

Key strengths

Established promoter group with demonstrated fund support

EAL belongs to the Kolkata-based Emami group with Emami Limited (rated 'CARE AA+; Stable/ CARE A1+') being the flagship company of the group. The group is one of the leading manufacturers of herbal and Ayurveda products in personal, cosmetic, and health care segments with market leadership in few of its products and presence across diverse business segments. The promoters have demonstrated continuous support towards fund requirement of EAL and funded ~₹938 crore in the form of unsecured loans, which have been converted into zero coupon optionally convertible debentures on October 01, 2021. CARE Ratings believes that the group will continue to extend support to EAL as and when required.

Established distribution network supported by branding and marketing arrangement

EAL's product portfolio consists of a wide range of products, including edible oils, de-oiled cake (DOC), vanaspati, specialty fats, bakery products, and bio - diesel among others. However, over 90% of the total sales are contributed by edible oil and balance by other products. Amongst edible oils, palm oil continues to be the major driver of revenue followed by soya oil. The major brands under which EAL sells its products are 'Emami Healthy & Tasty', 'Himani Best Choice', 'Rasoi No.1' and 'BakeMagic'. In FY24, 60%-65% (62% in FY23) of the sales of the company was generated from branded sales. EAL has major presence in Eastern and North-eastern Indian states and has also penetrated in North and South India for its edible oil business through a strong network of 1,500 distributors, 30 depots and through direct reach to 300,000 outlets. In FY24, EAL incurred ₹169 crore against ₹209 crore in FY23 towards marketing, selling branding expense to launch its product on a pan-India basis. The company has increased its geographical presence by adding new depots, modern trade channels, and e-commerce partners.

EAL has set up a 400 TPD solvent extraction plant and 50 TPD refinery unit at Jaipur, Rajasthan, commissioned in April 2024 within the budgeted cost of ₹60 crore, to manufacture de-oiled cake and solvent mustard oil by way of forward integration to enable the company to process the oil cake, which is produced by the existing Jaipur unit operations. EAL has also set up a bio-diesel plant at Krishnapatnam unit, commissioned in April 2024 within the budgeted cost of ₹50 crore, as maintained by the management. It has enabled the company to serve the demand of biodiesel in the Southern region.

EAL is increasing the capacity of its Bio-diesel plant at Haldia, West Bengal, by 300 TPD, at an estimated cost of ₹70 crore, which is proposed to be funded by promoter contribution of ₹20 crore and term loan of ₹50 crore, which has been tied up. The company's existing Bio-diesel capacity of 350 TPD is currently not operational. However, in FY24, the company had supplied more than 1 lakh MT of Bio-diesel to eastern region locations of oil-marketing companies.

Stable working capital cycle

EAL opens Letter of Credits (LCs) for approximately six months for its raw material purchase and earmarks fixed deposits for the same. It is required to hold inventory (50-65 days), given the seasonality in edible oilseeds production and lack/non-availability of soybean/palm oilseeds in the domestic market. As the edible oil business is cash and carry in nature, the average collection period was low at ~8 days in FY24. With increase in both average creditors days and average inventory days, the operating cycle remained at 38 days in FY24 (39 days in FY23).

Stable demand outlook for edible oil industry

The long-term outlook of edible oil demand in India is favourable on the back of increasing population, increase in per capita consumption, which in turn would be driven by changing lifestyles, growing urbanisation, increasing proportion of middleclass population, and steadily rising affluence levels. In last two years, there has been significant volatility in the edible oil industry with sudden changes in raw material prices. However, long-term demand outlook remains stable.

Liquidity: Adequate

EAL had total cash and bank balance of ₹179 crore as on December 31, 2024. The company earned adjusted gross cash accruals (GCA) of ₹349 crore in 9MFY25 (standalone). The company has scheduled term debt repayment obligation of ~₹213 crore in FY25 which is being met out of cash accruals and available cash balance. The company does not have significant fund-based working capital limits apart from an overdraft limit of ₹20 crore, which is fully unutilised. For its imports, EAL avails letter of credit which results in higher requirement of non-fund-based limits. The acceptances remained a major source of debt financing for EAL with outstanding acceptances constituting ~72% of total gross debt as on December 31, 2024. It does not have major capex plans funded out of internal accruals in the medium term. Financial flexibility due to EAL being a part of the Emami group and need-based fund infusion from the group also aids its liquidity.

Key weaknesses

Subdued financial performance in FY24; recovery in 9MFY25

The company's TOI (standalone) witnessed significant decline in FY24 y-o-y with lower realisations. Significant volatility in raw material procurement prices and unfavourable movement in the domestic market against the hedged positions on commodity exchange led to losses in FY23, which continued in FY24. The profitability was also impacted due to the inability to ramp up production and high brand building expenses. The capacity utilisation for the manufacturing units remained low, which further led to lower absorption of fixed costs. High selling expenses to the tune of ₹169 crore in FY24 and higher forex losses also adversely impacted its profitability. However, the company has booked reversal of provision for statutory dues of ₹551 crore due to which the PBILDT turned positive in FY24. With subdued operating performance and higher finance cost (₹397 crore in FY24), the company incurred cash loss of ~₹504 crore in FY24, which was funded out of liquidation of inventory and increased borrowings.

The company has started operating its bio-diesel plant (10,000 MT capacity per month) and has set up another plant at Krishnapatnam. However, the performance moderated in 9MFY25, as the price turned non-remunerative leading to company choosing to sell edible oil by-product rather than bio-diesel.

Financial performance witnessed improvement in 9MFY25 on a standalone basis, where performance is expected to improve further with company strengthening its risk management policies and implementing measures to arrest losses and improve profitability. The company's ability to recover its profitability going forward with expected stabilisation of prices and improvement in demand, remains a key rating monitorable. The company earned adjusted GCA of ₹349 crore in 9MFY25 including recovery of ₹150 crore of statutory dues which was booked in FY24.

Moderation in capital structure and debt coverage indicators

The net debt witnessed an increase as on December 31, 2024 over March 31, 2024 and March 31, 2023. Net overall gearing stood at 2.02x as on March 31, 2024 (1.65x as on March 31, 2023). The promoters have infused significant amount of unsecured loans (subordinated to bank debt) over the years amounting to ₹938 crore, which were converted into optionally convertible debentures in FY22. In November 2022, the company raised equity of ₹30 crore from an investor. Owing to the cash losses incurred by the company in FY24, debt coverage indicators witnessed significant moderation. However, the same is expected to improve in FY25.

Low profit margin in the industry due to low value addition and intense competition

Operating margin of edible oil refiners are generally low owing to low value addition involved in the business and intense competition. The industry is highly fragmented with presence of large number of small-sized players and few large players in the branded segment. The intense competition in the industry also exerts pressure on the operating margin. 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. In August 2019, EAL entered the spices category with the brand 'Emami Healthy and Tasty Mantra'. Spices business is relatively high profit margin and expected to provide diversification to the company's existing edible oil business; though the pace of its pick up is relatively slow. The company had also launched soya chunks in FY21 and also focusing on bio-diesel.

Significant dependence on import of raw material exposes EAL to foreign currency fluctuation risk

Raw material cost accounted for ~95%-96% of the total cost of sales of EAL in the last three years. Major raw materials required by EAL are crude palm oil (CPO) and crude soya oil (CSO). EAL significantly depends on imports for procurement of CPO (from Indonesia and Malaysia) and CSO (from Latin America, Brazil and Argentina) in view of lack of availability in domestic market. Accordingly, EAL is exposed to foreign currency fluctuation risk. To safeguard itself from forex risk, EAL hedges its payables for the imports of raw materials at the time it sells its finished goods.

Volatile raw material and finished goods prices

Domestic oil prices directly depend on the international crude edible oil prices. EAL is exposed to volatility in raw-material prices as the cash conversion cycle from procurement of raw material to realisation from sale of processed edible oil is estimated to be around six months. Accordingly, EAL enters forward sale contract on the commodity exchange, immediately on entering raw-material procurement contract, to mitigate the aforementioned price volatility risk. In FY23, both CPO and CSO prices had witnessed a sharp decline from May-June 2022 to September 2022, which led to losses to EAL considering high inventory in hand. However, the sharp volatility within a short span of time had led to losses/dip in profitability for the edible oil industry in the current year. Sunflower oil and palm oil supplies which took a hit in oil year 2021-22 rebounded in the subsequent oil year, leading to continued decline in CPO and CSO prices. Since prices remained significantly higher y-o-y in the first-two months of the oil year 2024-25, they are likely to average higher by the end of the ongoing oil year. The palm oil, soyabean oil, and rapeseed oil prices are likely to average higher by ~12-14% by the end of oil year 2024-25.

Regulatory risk associated with edible oil industry
The price of palm oil imported by India, from the largest exporters of the commodity in the world, Indonesia and Malaysia, are affected by the frequent duty structure changes done by the respective governments to protect their domestic industries. The price differential for carrying out refining operations in India depend upon the difference in duty between the export duty levied by the exporters on CPO and RPO and the import duty on the same by India. To protect the domestic players from cheap edible oil imports, government imposes import duty on both crude and refined oils. Accordingly, EAL is exposed to adverse changes in regulatory and import/export duty structures.

Applicable criteria

Definition of Default
Consolidation
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

Macroeconomic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Agricultural food & other products	Edible oil

EAL, belonging to the Emami group of Kolkata, is engaged in refining edible oils (palm, soya, sunflower, rice bran, mustard, and vanaspati). Over the years, EAL has emerged as one of the leading players in the Indian edible oil industry with a pan-India presence and dominant position in the eastern region. The oil processed/refined by EAL is sold under the brand name of 'Himani Best Choice' (in the popular segment) and 'Emami Healthy & Tasty' (in the premium segment). EAL entered the Vanaspati oil market with acquisition of the 60-year-old brand 'Rasoi' in FY15. Moreover, for forward integration, it has expanded the product portfolio to include value-added products used in bakery industry, sold under the brand name 'Bakemagic'. In August 2019, 'Emami Healthy and Tasty' entered the spices category with the launch of its sub-brand 'Mantra' – a range of 100% natural and fresh spices, masalas, and tastemakers. The company has an installed capacity of 11,800 TPD refinery for edible oils.

Brief Consolidated Financials (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	18,729	14,341
PBILDT	-107	497
Adjusted PBILDT^	-107	-159
PAT / (Net loss)	-371	34
Adjusted overall gearing ratio (times)$	1.65	2.02
Net TOL / TNW	4.47	4.22
Interest coverage (times)	NM	1.36

^Adjusting for reversal of provision against statutory accruals; $ Total debt net of margin money.
A: Audited, NM: Not Meaningful
Note: these are latest available financial results

Brief Standalone Financials (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	18,599	14,202	12,467
PBILDT	-141	388	480
Adjusted PBILDT ^	-141	-163	480
PAT / (Net loss)	-372	29	107
Adjusted overall gearing ratio (times)$	1.70	1.99	NA
Interest coverage (times)	NM	0.99	1.70

^Adjusting for reversal of provision against statutory accruals; $ Total debt net of margin money.
A: Audited, UA: Unaudited, NA: Not Available, NM: Not Meaningful

Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facilities	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date (DD/MM/YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30/09/2030	754.28	CARE BBB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	80.00	CARE A2
Non-fund-based - ST-Letter of credit		-	-	-	5640.00	CARE A2

Annexure-2: Rating history for 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 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-Term Loan	LT	754.28	CARE BBB+; Stable	1)CARE BBB+ (RWN) (28-Oct-24) 2)CARE BBB+; Stable (05-Apr-24)	1)CARE A-; Negative (17-Jul-23)	1)CARE A-; Stable (06-Jan-23)	1)CARE A-; Stable (07-Dec-21)
2	Non-fund-based - ST-Letter of credit	ST	5640.00	CARE A2	1)CARE A2 (RWN) (28-Oct-24) 2)CARE A2 (05-Apr-24)	1)CARE A2+ (17-Jul-23)	1)CARE A2+ (06-Jan-23)	1)CARE A2+ (07-Dec-21)
3	Non-fund-based - ST-Bank Guarantee	ST	80.00	CARE A2	1)CARE A2 (RWN) (28-Oct-24) 2)CARE A2 (05-Apr-24)	1)CARE A2+ (17-Jul-23)	1)CARE A2+ (06-Jan-23)	1)CARE A2+ (07-Dec-21)
4	Term Loan-Long Term	LT	-	-	1)Withdrawn (05-Apr-24)	1)CARE A-; Negative (17-Jul-23)	1)CARE A-; Stable (06-Jan-23)	1)CARE A-; Stable (07-Dec-21)
5	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE A-; Stable (07-Dec-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure-4: Complexity level of facilities rated

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

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here]

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Emami Biotech (Singapore) Pte Ltd	Full	Subsidiary

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

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About us:

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