

Rating Advisory

May 10, 2022 | Mumbai

Akash Agro Industries

Update as on May 10, 2022

This rating advisory is provided in relation to the rating of Akash Agro Industries

The key rating sensitivity factors for the rating include:

Upward factors

- Significant growth in revenue with improve op margin over 3% leading to higher NCA
- Sustained growth in revenue with improvement in the capital structure

Downward factors

- Decline in interest coverage below 1.4 times
- Stretch in working capital cycle

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Akash Agro Industries (AAI) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If AAI continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

Established in 2006, AAI is a partnership firm promoted by Mr Jayesh Patel and his family members. They have experience of over a decade in the agricultural commodities industry. The firm processes and trades in psyllium seed husk.

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Rating Rationale

March 05, 2021 | Mumbai

Akash Agro Industries

Rating upgraded to 'CRISIL BB / Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.8.25 Crore
Long Term Rating	CRISIL BB/Stable (Upgraded from 'CRISIL BB- / Stable')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its long term rating on bank facilities of Akash Agro Industries (AAI) to '**CRISIL BB/Stable**' from 'CRISIL BB-/Stable'.

The upgrade reflects CRISIL rating's belief that AAI's business risk and financial risk profiles will continue to improve over the medium term. The business risk profile improved with revenue grew by 17% y-o-y to Rs 98 crore in FY20. During 9MFY21, company estimated revenue of Rs 140 crore supported by healthy order inflow and increase in prices of isabgul. Despite significant growth in turnover, working capital management remain prudent with GCA of 74 days in FY20. The rating upgrade also factors in steady improvement in financial risk profile with gearing to 1.62 times as on March 31, 2020 and comfortable interest coverage ratio of 2.08 times in FY20.

The rating continues to reflect the extensive experience of AAI's partners in the agricultural commodities industry. This strength is partially offset by average financial risk profile and susceptibility to volatility in raw material prices.

Key Rating Drivers & Detailed Description

Strengths:

- Extensive experience of the partners**

The key partner of the group, Mr Jayesh Patel, has been engaged in the agricultural commodity business since almost a decade. He has another firm, Kirti Trading Co., which is also located in Sidhpur, Gujarat and engaged in similar business. The partners extend need-based funding support in the form of unsecured loans.

Weaknesses:

- Average financial risk profile**

Networth remains modest at Rs 6.70 crore as on March 31, 2020. Financial profile of the firm remains leveraged as reflected in moderate gearing and total outside liabilities to tangible networth (TOLTNW) ratio of 1.62 times and 2.80 times, respectively, as on March 31, 2020. Interest coverage ratio was 2.08 times and net cash accrual to total debt ratio was 8% in fiscal 2020.

- Susceptibility to volatility in raw material prices**

Raw material accounts for a significant portion of AAI's cost of production and any volatility in raw material prices will affect the firm's profitability significantly, given its limited pricing power.

Liquidity: Adequate

Liquidity expected to remain adequate with modest accruals of over Rs 60-70 crore against term debt obligation of Rs 0.45 crore. Any sharp volatility in raw material prices may significantly impact the low operating margin (below 3%) and cash accrual and, consequently, repayment capacity. Bank limit utilisation utilised at 80% in the six months through November 2020. The promoters extend support in the form of unsecured loans as and when required by the business.

Outlook: Stable

CRISIL Ratings believes AAI will continue to benefit from the extensive experience of the promoters and healthy demand for psyllium husk.

Rating Sensitivity factors**Upward factors**

- Significant growth in revenue with improve op margin over 3% leading to higher NCA
- Sustained growth in revenue with improvement in the capital structure

Downward factors

- Decline in interest coverage below 1.4 times
- Stretch in working capital cycle

About the Company

Established in 2006, AAI is a partnership firm promoted by Mr Jayesh Patel and his family members. They have experience of over a decade in the agricultural commodities industry. The firm processes and trades in psyllium seed husk.

Key Financial Indicators

Particulars	Unit	2020	2019
Revenue	Rs crore	98.83	84.35
Profit after tax (PAT)	Rs crore	0.60	0.71
PAT margin	%	0.61	0.84
Adjusted debt/adjusted networkth	Times	1.62	1.72
Interest coverage	Times	2.08	2.11

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	6.25	NA	CRISIL BB/Stable
NA	Term Loan	NA	NA	Mar-24	2.00	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Current				2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	8.25	CRISIL BB/Stable		--	16-01-20	CRISIL BB-/Stable	17-01-19	CRISIL BB-/Stable		--	CRISIL BB-/Stable

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	6.25	CRISIL BB/Stable	Cash Credit	6.25	CRISIL BB-/Stable
Term Loan	2	CRISIL BB/Stable	Term Loan	2	CRISIL BB-/Stable
Total	8.25	-	Total	8.25	-

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt
The Rating Process
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