

## Origo Commodities India Private Limited

Instrument	Amount	Rating Action As on November 2016
<b>Fund-Based Limits</b>	<b>In Rs. Crore</b>	
Unallocated	5.00 (reduced from Rs 20 crore)	[ICRA]BBB- (Stable); outstanding
Sales Bill Discounting (SBD)	15.00	[ICRA]BBB- (Stable); assigned
a. Cash Credit	(12.00)	[ICRA]BBB- (Stable); assigned
b. Working Capital Demand Loan	(12.00)	[ICRA]BBB- (Stable); assigned
c. Bank Guarantee	(5.00)	[ICRA] BBB- (Stable)/[ICRA] A3 assigned
Total	20.00	

\*a,b and c are the sub-limits of (SBD)

ICRA has assigned its long term rating of [ICRA]BBB- (pronounced ICRA Triple B Minus) on the Rs. 15 crore fund based limits and has an outstanding rating of [ICRA]BBB- on Rs 5 crore (reduced from Rs 20 crore) unallocated limits of Origo Commodities India Private Limited (OCIPL)<sup>1</sup>. ICRA has also assigned the short term rating of [ICRA]A3 (pronounced ICRA A three) on the Rs 5 crore interchangeable bank limits of OCPL. The outlook on the rating is 'Stable'.

ICRA's rating action takes into account the continued robust growth in the company's operating income over the past two years; with the upcoming business segments of retail and e-commerce expected to aid future growth. However, the growth has largely been supported by the low margin procurement business, which has led to a steep decline in the company's operating margins over the past two years.

ICRA's rating continues to favourably factor in OCIPL's position as one of the leading providers of warehousing and collateral management services for agri-commodities. The rating also takes into account the extensive experience of the company's management in the agri commodity and warehousing industry. The rating also factors in the company's pan-India operations and the strong risk management and operational systems employed by the company. ICRA favourably takes into account the extension of the company's contract with Punjab Grains Procurement Corporation Limited (Pungrain) for the next three years and addition of prominent clients like Odisha State Warehousing Corporation (OSWC) and SBI to its customer base. ICRA also takes note of the company's adequate capitalization levels for the current scale of operations as reflected in its lightly leveraged capital structure with gearing of 0.26x as on March 31, 2016. The company's moderate profitability coupled with low reliance on debt, has also translated into strong coverage indicators.

However, the ratings are constrained by the company's limited track record of operations, working capital intensive nature of operations and risks associated with the company's agro-commodity trading business. The rating further takes note of the highly concentrated customer base of the company across all segments; however as the company is dealing mainly with government entities and big corporate houses, the counterparty risk is low. The share of the procurement segment in the portfolio mix is expected to increase further, resulting in further decline in the operating margins going forward. ICRA also takes cognizance of the growth phase of the company leading to stretched cash flows and the significant funding requirements thereof. ICRA also notes that the company's growing scale of business, expanding client base and alignment of business model to other related diversification over the years has been supported by regular enhancement in its working capital limits.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



Going forward, OCIPL's ability to grow its scale of operations in a profitable manner while maintaining an optimal working capital intensity and attain a sustained diversification in its client base will be the key rating sensitivities.

#### **About the company**

Incorporated in 2011, OCIPL provides integrated post harvest management solutions, including storage and preservation and collateral management services for agri commodities, along with services such as pest management, testing and certification, and also procurement of agri commodities. For collateral management, currently the company has partnerships with four banks. The procurement business was started in 2013 and the company operates more than 500 warehouses in India, spread across 15 states with a warehousing capacity of over 3 million tonnes. OrigoFarms, the retail brand of Origo Commodities, was launched in Hyderabad in January 2016. The line includes commodities such as rice, pulses, spices, peanuts as well as fruits and vegetables. The company has plans to enter into financing with a separate NBFC, Origo Finance. The NBFC will be an agri-focussed lending organisation, to provide input finance to farmers, credit for farm equipments and vehicles. The company also plans to launch its e-commerce platform, OrigoMarkets which will be an electronic ecosystem for buying and selling agricultural commodities.

#### **Recent Results**

OCIPL reported a net profit of Rs. 10.91 crore on an operating income of Rs. 245.59 crore in FY2016, as against a net profit of Rs. 10.82 crore on an operating income of Rs. 124.75 crore in FY2015.

**November 2016**

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