



Rating Rationale

Pragati Agencies

12th October 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 9.60 Cr of Pragati Agencies or “(PAs)”.

Particulars

| Facility Rated | Rating Amount (Rs. Crs) | Tenure | Rating ^ |
|----------------------------|---|-----------|--|
| Over Draft (Fund Based) | 9.60 | Long Term | BWR B (Pronounced as BWR Single B) Outlook: Stable (Assigned) |
| Total | Rs. 9.60 Crores (INR Nine Crores and Sixty Lakhs Only) | | |

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY16, provisional financials of FY17, projected financials up to FY19, publicly available information of Pragati Agencies and information/clarifications provided by the concern’s management.

The rating draws strength from the experience of the promoters and long track record of the concern, and strong interest and debt servicing capabilities. However, the rating is constrained by the constitution of the firm being a proprietorship, high receivable which stresses the working capital, susceptibility to risks arising from industry cyclicality and regulatory risk faced by the power generation sector.

Key Rating Drivers:

Extensive Experience of Promoters:

Promoters of the firm have over two decades of experience in the cotton yarn industry and the firm has had a successful track record in the business for 28 years.

Established and reputed customer base:

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The firm sells power generated from the windmill, which amounts to a substantial portion of the revenues to Maharashtra State Electricity Distribution concern Ltd which reduces the counter party risk

Average financial risk profile:

Pragati Agencies' financial risk profile is moderate supported by firm's increasing revenues, net worth, and a strong capital structure with moderate liquidity.

Weaknesses

Modest scale of operations:

The firm has a modest scale of operations with the revenues of the firm at Rs. 2.88 crs in FY17. The PAT of the concern is at Rs. 5.36 Crs in FY17 due to interest income and income from REC sales.

Exposure to inherent risks associated with wind energy generation:

The final cash flows of wind energy firms are sensitive to the climatic and the regulatory risks

Rating Outlook: Stable

BWR believes that **Pragati Agencies** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the concern

Pragati Agencies was incorporated in 1988 as a 'Proprietorship Concern', in Ichalkaranji, Maharashtra. It is engaged in trading of yarn on commission basis and production and sale of power generated from Wind Mills.

The proprietor of the firm is Neelabh Trust, which was incorporated as an 'Association of Persons'. The firm has 2 windmills, one in Sangli and the other in Sadawaghapur.

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Concern Financial Performance

| Parameters (Rs. Crs) | FY16 (A) | FY17(P) |
|------------------------|----------|---------|
| Total operating income | 2.75 | 2.88 |
| EBIDTA | 2.79 | 2.05 |
| Profit after tax (PAT) | 4.88 | 5.36 |
| Net worth | 17.48 | 18.88 |
| Current ratio | 1.46 | 2.79 |

A: Audited, P: Provisional

The total operating income of the concern has slightly improved from Rs. 2.75 Cr in FY16 to Rs. 2.88 Cr in FY17. However, net profit margin of the concern stood at Rs. 5.36crs in FY17, which has improved, from Rs.4.88 crs in FY16.

Rating History for the last three years: (including withdrawn/suspended ratings)

| Instrument/ Facility | Current Rating (Year 2017) | | | Rating History | | |
|-------------------------|---|--------------------|-------------------|----------------|------|------|
| | Type (Long Term/Short Term) | Amount (Rs Crs) | Rating | 2016 | 2015 | 2014 |
| Fund Based | Long Term | 9.60 | BWR B (Stable) | Nil | Nil | Nil |
| | | | | Nil | Nil | Nil |
| Total | Rs. 9.60 Crores (INR Nine Crores and Sixty Lakhs Only) | | | | | |

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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