



Rating Rationale

A.R.S. Agro Business Pvt Ltd.

29 Mar 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.07 Crores of A.R.S. Agro Business Pvt Ltd..

Particulars

Facilities (Fund Based)	Amount (₹ Crs)	Tenure	Rating*
Cash Credit	4.75	Long Term	BWR B (Pronounced as BWR Single B) Outlook: <u>Stable</u>
Term Loan*	4.32		
Total	9.07	INR Nine Crores and Seven Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities

Brickwork Ratings has primarily relied upon the audited financial results upto FY 2018, projections upto FY 2020, publicly available information and information/clarifications provided by the company's management.

The rating draws strength from expertise and qualification of the promoters, strong profitability margins and above average interest coverage metrics. The rating is however, affected by growing but modest scale of operations, high overall gearing, weak debt coverage metrics and intense competition from other established brands.

Going forward, the company's ability to scale up the operations, sustain the level of profitability margins, bringing down the high level of overall gearing and comfortable debt coverage metrics will be the key rating sensitivities.

Credit Strength

- ★ **Expertise and qualification of the promoters:** The company is promoted by Mr. Aditya Shankar Parashar and Mr. Abhishek Tulsian who are industrial engineers and a chartered accountant by profession respectively. Both the directors hail from a business background and have in depth knowledge of the food processing industry.
- ★ **Strong profitability margins:** Despite low scale of operations, the company is registering strong profitability margins marked by operating profit margin and net profit margin of 31.89% and 13.03% respectively in FY 2018 as compared with -13.70% and 5.75% respectively in FY 2017. The same trend is projected to continue over the medium term.
- ★ **Above average interest coverage metrics:** The company has reported above average interest coverage metrics of 2.36x in FY 2018 as against -8.67x in FY 2017. The metrics is expected to remain at the comfortable level in the medium term.

Credit Weaknesses

- ★ **Growing but modest scale of operations:** Although the company has commenced its operations in November 2017 but the scale of operations would still be considered low as the company has reported the total operating income of only INR 2.15 crores in FY 2018 as compared with INR 0.06 crores in FY 2017. As per the information from the management, the company has achieved the sales of INR 6.91 crores till February 2019 of the current financial year and is expected to end the year at the sales of INR 7.50 crores.
- ★ **High overall gearing:** The company's overall gearing is high as marked by TOL/TNW of 6.88x in FY 2018 and low tangible net worth of INR 2.35 crores (analysed) in FY 2018.
- ★ **Weak debt coverage metrics:** Although the interest coverage metrics is at comfortable level but the debt coverage metrics is weak as the DSCR stood at 0.74x in FY 2018 which is below the benchmark level.
- ★ **Intense competition from other established brands:** The company faces stiff competition from other brands which are into the segment of pasta and macaroni. The company is manufacturing the local brand which is being sold in Chandauli only but the change in taste and preference of the consumers and inclination towards other established brands like Sunfeast, Maggi will have adverse impact on the scale and profitability of the company.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



Rating Outlook: Stable

BWR believes the **A.R.S. Agro Business (P) Ltd.** 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 Company

Incorporated in 1993, A.R.S Agro Business Pvt Ltd commenced its operations in November 2017 and is engaged in manufacturing of wheat flour, pasta and macaroni. The company is promoted by Mr. Abhishek Tulsian and Mr. Aditya Shankar Parashar and the registered office and corporate office of the company is located in Kolkata. The promoters of the company saw that there is prominent demand of packaged flour and pasta and macaroni sort of snacks so they have set up wheat flour processing plant and pasta & macaroni manufacturing plant. The company processes wheat flour for Adani Wilmar Limited and it manufactures pasta and macaroni of its own brand which is '**Pet Pooja**'

Liquidity Position

The company's liquidity is supported by cash and cash equivalents of INR 0.01 crores in FY 2018. The total amount of fund based working capital facility of INR 4.75crores which has been 40% utilized. The current ratio and quick ratio of the firm is 0.69x and 0.35x respectively in FY 2018 signify stress in the liquidity.

Company's Financial Performance

Key Parameters	Units	FY 2018	FY 2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	2.15	0.06
EBITDA	₹ Cr	0.69	-0.01
PAT	₹ Cr	0.28	0.00
Tangible Net worth [Analyzed]	₹ Cr	2.35	1.33
TOL/TNW	Times	6.88	4.52
Current Ratio	Times	0.69	19.34



Rating History for the last three years

S.No	Facilities (Fund Based)	Current Rating (Mar 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Cash Credit	Long Term	4.75	BWR B (Pronounced as BWR Single B) Outlook: <u>Stable</u>	NA	NA	NA
2.	Term Loan*		4.32		NA	NA	NA
	Total		9.07	₹ Nine Crores and Seven Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information: NA

Hyperlink/Reference to applicable Criteria

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



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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.