

RATING RATIONALE

17 Jan 2020

ASA Agrotech Private Limited

Brickwork Ratings upgraded the long term and the short term rating for the Bank Loan Facilities of ₹ 12.50 Crores of ASA Agrotech Private Limited

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (January,2015)	Present
Fund Based					
CC (Sublimit to EPC)	-	(2.00)	Long Term	BWR BB (Stable)	BWR BB+ (Upgraded) (Stable)
Cash credit	1.00	-			
Term Loan	0.35	-			
EPC/PCFC	12.00	12.00	Short term	BWR A4	BWR A4+ (Upgraded)
Non Fund Based					
LC/BC (Sublimit to EPC)	-	(8.50)			
Bank Guarantee (Sublimit to EPC)	-	(0.50)			
Treasury VaR	-	0.50			
Total	13.35	12.50	INR Twelve Crore Fifty Lakh Rupees Only		

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

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

RATING ACTION / OUTLOOK

Brickwork Ratings Upgrades the Long Term and Short term rating to BWR BB+(Stable)/A4+ from BWR BB(Stable)/A4 for the Bank Loan Facilities of ₹ 12.50 crores of ASA Agrotech Private Limited on account of extensive experience of the directors in the Bird Feed industry, Steady increase in scale of Operation, Healthy Gearing & Profitability, liquidity profile, High Customer Concentration, Risk pertaining to Forex etc.



The ratings have been assigned a stable outlook on account of the potential demand, extensive Customer relations. BWR believes that ASA Agrotech Private Limited's business risk profile will be maintained over the medium term.

KEY RATING DRIVERS

Credit Strengths:

Extensive experience: Extensive experience of the company with a decade of operational track record in this industry. The promoter has more than 2 decades of experience in this industry.

Healthy Gearing Ratio: Healthy gearing ratio with Total Debt/ TNW standing at 0.39x in FY19. The ratio has further improved from 0.50x in FY18.

Healthy Coverage: Healthy Coverage Ratio with ISCR and DSCR standing at 32.32x and 24.54x in FY19 as compared to 12.76x and 4.49x in FY18.

Healthy Profitability: Healthy Profitability with OPM and NPM standing at 28.59% and 20.06% in FY19 and it increased as compared to 19.88% and 15.13 % in FY18.

Healthy Liquidity Profile: Healthy current ratio of 2.19x in FY19 as compared to 1.78x in FY18 .

Association with Reputed Clientele: ASA Agrotech Private Limited has a healthy client base with association with reputed clients like Walmart etc.

Certifications: ASA Agrotech has been granted the only certificate of Approval in India for Niger Seed Treatment Facility from USDA (United States Department of Agriculture).

Credit Risks:

Client Concentration: Visible Client concentration with its one clients comprising 83.33% of sales.

Foreign Exchange Risk: Risk pertaining to forex transactions as firm is into exports however the same is being mitigated by Partial Natural hedge and partially through VAR bank facility availed by the client.

Risk related to agro based business: Business operations susceptibility to volatility in prices of agri products based on global demand-domestic supply situation depends on the incentives and subsidies provided by the government like duty drawback and other export incentives and adverse climatic factors as it has a seasonal nature of business.

Government policy changes: Exposure to risks related to changes in government policies.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of ASA Agrotech Private Limited, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.

Positive: The rating will be upgraded if the company is able to achieve significant growth in revenue and improvement in profitability backed by a favourable industry scenario.

Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely.

LIQUIDITY POSITION

The cash and cash equivalents stand at Rs 0.01 crs in FY19 .The average CC utilization for the last 6 months stands at 0%.The current ratio stands at 2.19x in FY19 as compared to 1.78x in FY18 . ISCR stands at 32.32x in FY19 as compared to 12.76x in FY18. DSCR stands at 24.54x in FY19 as compared to 4.49x in FY18.

COMPANY PROFILE

ASA Agrotech private limited is a Nagpur based organisation belonging to the Bird Feed industry.ASA Agrotech private limited was incorporated by Mr. Punit and Prem Grover in January 2010.Currently the organisation is under the leadership of directors Mr Pankaj Sarda and Vineet Jhavar. ASA Agrotech Private Limited is into exporting Niger & Safflower seeds.ASA Agrotech Private Limited is involved in processing, cleaning & sterilization of seeds.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 19	FY18
Result Type		Audited	Audited
Total Operating Income	(in ₹ Cr)	70.77	55.68
EBITDA	(in ₹ Cr)	20.23	11.07
PAT	(in ₹ Cr)	14.20	8.42
Tangible Networth	(in ₹ Cr)	28.72	14.52
Total debt/ Tangible Networth	Times	0.39	0.50
Current ratio	Times	2.19	1.78

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Facilities	Current Rating			Rating History	
	Tenure	Amount (₹ Cr)	Rating	2017	January,2015
Fund Based: CC(Sublimit) Cash Credit Term Loan	Long Term	(2.00) - -	BWR BB+ (Stable) (Upgraded)	Rating Not Reviewed	BWR BB (Stable)
EPC/PCFC		12.00			
Non Fund Based LC/BC (Sublimit to EPC) Bank Guarantee (Sublimit to EPC) Treasury VaR	Short Term	(8.50) (0.50) 0.50	BWR A4+ (Stable) (Upgraded)	Rating Not Reviewed	BWR A4 (Stable)
Total		12.50	INR Twelve Crore Fifty Lakh Rupees Only		

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria :

- [General Criteria](#)
- [Trading Entities](#)
- [Approach to Financial Ratios](#)

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ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Kotak Bank, Wardha, Ramdaspath, Nagpur	Cash Credit (Sublimit to EPC)	(2.00)	-	11.00
2.		EPC/PCFC	-	12.00	12.00
3.		LC/BC (Sublimit to EPC)	-	(8.50)	(8.50)
4.		Bank Guarantee (Sublimit to EPC)	-	(0.50)	(0.50)
5.		Treasury VaR	-	0.50	0.50
TOTAL		(INR Twelve Crore Fifty Lakh Rupees Only)			12.50



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