



## Rating Rationale

Aditya Grain Industries

15 May 2019

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 11.88 Crores of Aditya Grain Industries.**

## Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	11.88	Long Term	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>
<b>Total</b>	<b>11.88</b>	<b>INR Eleven Crores and Eighty Eight Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

## Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, provisional financials of FY19, publicly available information and information / clarification provided by the firm's management.

The rating derives its strength from the partners' extensive experience in the agro-based industry and the locational advantage the firm enjoys with respect to the raw material supply. The rating is further strengthened by the good growth in operating income in the last couple of years and also by the firm's moderate financial risk profile.

The rating is, however, constrained by the low networth position of the firm over the years. The rating also factors the regulatory risks associated with the agro based industry with respect to government interference in the fixation of Minimum Support price of wheat and other cereals.

Going forward, the ability of the firm to maintain the growth in sales in the medium term and improve its Networth position by way of fresh capital infusion by partners will be the key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Extensive business experience of the partners:** Both the partners of the firm have more than a decade of business experience and they have been successfully running the firm since its inception.
- **Growth in revenue:** The revenue of the firm has increased at a good rate in the past couple of years with it growing from Rs.23.33 Crs. in FY17 to Rs.50.53 Crs. in FY19.
- **Moderate financial risk profile:** The firm had an analyzed gearing Total debt / TNW) of 1.72 times as on 31 Mar 2019. The debt protection metrics were moderate as reflected in ISCR & DSCR of 1.94 & 1.10 times respectively as on 31 Mar 2019.
- **Locational Advantage:** The firm is located in Gorakhpur & Gonda districts of UP and thus has a competitive advantage in terms of skilled labor, logistics, production knowledge and availability of wheat in abundance making the company more efficient and cost effective.

#### Credit Risks:

- **Low Networth:** The Partner's capital along with Reserve & Surplus as on 31 march 2019 stood at Rs.2.05 crs. and Unsecured Loans from friends & family was Rs.6.45 Crs. The analyzed networth was Rs.5.28 Crs.
- **Regulatory Risk:** The industry is regulated by the government. Any changes in existing regulatory framework/ environment may adversely affect the profitability of the company.
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.

### 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 **Aditya Grain Industries** 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 Firm

Aditya Grain Industries is a partnership firm established in the year 2011 with its registered office in Gorakhpur, Uttar Pradesh. The firm is engaged in the business of processing of wheat to produce flour. The flour mill is located in Gonda district of Uttar Pradesh. The Firm's processing unit has an installed capacity of 51,000 MT per annum. Mr. Sharad Kumar Agarwal and Mr. Vikas Jalan are the partners of the firm.

### Firm's Financial Performance

The firm's Operating Income grew by 78% in FY18 over FY17 income while its growth was 21.52% in FY19 as compared to FY18 sales. Although sales have improved, the profitability margins of the firm have declined in the last couple of years. The firm's Networth as on 31 Mar 2019 was Rs.2.05 Crs. while Analyzed Networth (after considering the Unsecured Loans from Friends & Family) stood at Rs. 5.28 Crs. DSCR of the firm has improved marginally in FY19 and ISCR in the same period has fallen.

### Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		Provisional	Audited
Operating Revenue	₹ Cr	50.53	41.58
EBITDA	₹ Cr	3.08	2.75
PAT	₹ Cr	0.57	0.40
Tangible Net worth (Analyzed)	₹ Cr	5.28	4.93
Total Debt/Tangible Net worth (Analyzed)	Times	1.72	2.56
Current Ratio	Times	1.66	1.39

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
I	Fund Based	Long Term	11.88	<b>B WR BB-</b> (Pronounced as BWR Double B Minus) Outlook: Stable	-	-	NA
	<b>Total</b>		<b>11.88</b>	<b>₹ Eleven Crores And Eighty Eight lakhs Only</b>			

\*The Rating amount was Rs.14.49 Crores in 2017.



^ The rating was withdrawn on 24 Sept 2018 with a reaffirmed rating of BWR B- (Outlook: Stable).

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

### Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Media
<i>Satvinder Kumar Gakhar</i> <i>Associate Director-Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
	Relationship Contact
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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