

Rating Rationale

Agarwal Agro Foods

27 Dec 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 16.19 Crores of Agarwal Agro Foods.

Particulars

Issue	Previous Amount (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	BWR Rating (September, 2017)	Present Rating
Fund Based					
Cash Credit	6.00	12.00	Long Term	BWR B+ (Pronounced as BWR Single B plus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable Upgrade
Term loan	5.12	4.19			
Total	11.12	16.19	INR Sixteen Crores Nineteen Lakhs Only/-		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon the audited financial results upto FY18, select financials for FY19, the information and documents provided by the client, as well as the publicly available information.

The company draws rating strength from experienced management, growing scale of operations, increasing tangible net worth and availability of low cost labour. The rating is however constrained by risk of partnership constitution, stressed liquidity profile, high gearing ratio and highly fragmented industry.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Management :-** The management committee has extensive experience in their line of business, as the promoters have been into the same business for the last 36 years.
- **Growing Scale of Operations :-** Since, the firm is in its growing stage and it started its commercial operations in 2017, there is massive increase in the sales turnover of the firm from Rs. 0.49 crs. to Rs. 54.57 crs. in FY18 (A).



- **Increasing Tangible Net Worth :-** There has been an increase in the Tangible Net Worth of the firm from Rs. 2.98 crs. in the FY17 (Audited) to Rs. 3.70crs in the FY18 (Audited).
- **Availability of low cost labour :-** By virtue of the location of the unit, the firm enjoys the benefit of availability of low cost labour.

Credit risks:

- **Partnership Constitution Risk :-**The firm faces the inherent risk of the partner's capital being withdrawn at a time of personal exigencies,, risk of dissolution and restricted avenues to raise capital which could prove a hindrance to its growth.
- **Stressed Liquidity profile :-** The firm has moderately low current ratio of 1.10 in the FY18 (Audited), indicating that the firm does not have ample amount of current assets to meet its short term liabilities. The firm has a low net cash accrual to Total Debt ratio of 0.08, indicating that the total debt of the firm is very high in comparison with its net cash accruals.
- **High Gearing Ratio :-** The firm has a high gearing ratio of 4.15 in the FY18 (Audited).
- **Highly fragmented industry :-** The firm being in highly fragmented industry, faces intense competition from other small and big players. It is also vulnerable to the economic cycle and is highly sensitive to the seasonal change and price of paddy.

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 **Agarwal Agro Foods** 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 the expected figures.

About the Company

Agarwal Agro Foods is a partnership concern established in October, 2015; with its registered office at Khamariya Patti, Pilibhit Road, Puranpur, (distt) Pilibhit. U.P. The Firm started its commercial production from 5 March 2017. The firm is engaged in production of steamed and parboiled rice and its by-product Rice Bran . Husk produced in the process is consumed by the unit itself . It is a fully automated plant where all the processing is done in the plant.

Company Financial Performance

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		(Audited)	(Audited)
Operating Revenue	In ₹ Crs	54.57	0.49
EBITDA	In ₹ Crs	2.66	0.73
PAT	In ₹ Crs	0.10	0.00
Tangible Net worth	In ₹ Crs	3.70	2.98
Total Debt/Tangible Net worth	In ₹ Crs	4.01	3.70
Current Ratio	Times	1.10	1.08

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	FY17 (September)	FY16	FY15
	Fund Based Cash Credit Term loan	Long Term	12.00 4.19	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B plus) Outlook: Stable	N/A	
	Total		16.19	INR Sixteen Crores Nineteen Lakhs Only/-			

Hyperlink/Reference to applicable Criteria

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



- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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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, 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.

DISCLAIMER

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