



Rating Rationale

Agarwal Agro Foods

14th November, 2017

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs. 11.12 Crs of Agarwal Agro Foods ('AAF' or the 'Firm')

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
<u>Fund Based</u> Term Loan Cash Credit	5.12 6.00	Long Term	BWR B+ (Pronounced As BWR Single B Plus) Outlook:(Stable) (Assigns)
Total	Rs 11.12 Crores (Rupee Eleven Crore Twelve Lakhs Only)		

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

Rating reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the provision financial of FY 17, projections up-to FY20 and publicly available information and information/clarifications provided by the management.

The rating derives strength from the experience of the partners in food processing industry, comfortable debt protection metrics. The rating is however constrained by moderate scale of operations, stressed liquidity position, agro climatic risk, highly fragmented and competitive nature of industry with exposure to volatility in raw material prices. Going forward, the Firm's ability to improve its top-line, bottom-line, profitability margins, liquidity position, stabilize the business and meet the projections will remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes the Agarwal Agro Foods's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Key Rating drivers

Credit strengths

- **Experience of promoters:** The promoters have good experience in the industry. They are also involved in other group concern working in the same line of business.
- **Comfortable debt protection metrics:** Debt protection metrics stands moderate in FY 17, ISCR being 4.24x times and DSCR being 4.24x times.

Credit Weaknesses

- **Stressed Liquidity position:** Liquidity position is at stressed position marked by current ratio of 1.09 times in FY 17 and is expected to improve with full-fledged operation.
- **Modest scale of operation:** The Firm has started its commercial operation in March 2017. The scale of operation is expected to grow in FY 18.
- **Competition:** Being highly fragmented industry it has intense competition from other players. It is also vulnerable to the economic cycle and is highly sensitive to the seasonal change and price of paddy.
- **Partnership concern:** There is inherent risk involved in the partnership concern wherein any significant capital withdrawal may lead an adverse capital structure.

About the Company

AAF, established in October 2015 as a partnership concern, based out of U.P is engaged in production of steamed and parboiled rice. The Firm started its commercial production in March 2017. The current installed capacity is 87600 MTPA and the product is sold under the brand name 'HAZIR'. Raw material is easily available locally from farmers, brokers and mandis. AAF even has existing set up for the utilities like water, electricity and steam, key essentialities for the production. Sunil Agarwal, Beenu Agarwal, Shubham Agarwal, Sanjeev Agarwal, Satya Agarwal, Anuj Agarwal and Ritik Agarwal are the promoter/partner. It is a closely held company where all the partners are relatives and entire operations and management is mainly managed by Mr. Sunil Agarwal and Mr. Sanjeev Agarwal.

Financial Performance

	FY 17 (Provisional)	FY 16
Net Sales/ Revenues (Rs. Cr)	0.49	-
EBIDTA (Rs. Cr)	0.69	-
PAT (Rs. Cr)	0.53	-
Tangible Networth (Rs. Cr)	3.51	-
Total Debt : TWN (Times)	3.13	-
Current Ratio (Times)	1.09	-

As per the provisional financial of FY 17, the Firm has reported a sale of Rs.0.49 Crs and Rs.0.23 Crs was received as discount on paddy. PAT was reported at Rs.0.53 Crs .The net worth of the Firm stood at Rs. 3.51 Crs.

Rating History for the last three years:

Sl No	Instrument/ Facility	Current Rating (September, 2017)			Rating History	
		Type	Amount (Rs. Crs)	Rating	2016	2015
1.	Fund Based	Long Term	5.12	BWR B+ (Outlook: Stable) (Assigns)	-	-
2.	Fund Based	Long Term	6.00	BWR B+ (Outlook: Stable) (Assigns)	-	-
Total			Rs 11.12 Crores	(Rupee Eleven Crore Twelve Lakhs Only)		

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



Hyperlink/Reference to applicable Criteria:

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**

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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, 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.

DISCLAIMER

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Agarwal Agro Foods
Bank Facilities
Annexure I

Nature of all facilities		
Bank Name	Facilities	Sanctioned Limits
Punjab National Bank	Term Loan	5.32
	(FLC)*	(1.72)
	Cash Credit	6.00
	Total (Eleven Crores Twelve Lakhs Only)	

*One time FLC is sanctioned as a sub limit of Term Loan.