



## Rating Rationale

Aggarwal Sons

11 June 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 41.00 Crs of Aggarwal Sons.

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	41.00	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable
Total	41.00	INR Forty One Crores Only	

\*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 principally relied upon audited financials upto FY18, projections of FY19 and FY20. The rating draws comfort from the experienced promoters and improved turnover. The rating, however constrained by thin profitability margins, elongated conversion cycle, weak debt protection metrics and exposure to volatile commodity prices.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Experienced Promoters:** Promoters Mr Radhey Shyam Goyan and Mr Satish Chander Goyal have more than four decades of experience in the same line of business and have gained thorough knowledge of the market. Other two partners Mr Aman Goyal and Mr Ojasvi Goyal are also well qualified and experienced.
- **Improvement in Turnover:** Entity's turnover has improved at CAGR of 34.34% through FY16 to FY18. During FY18 entity reported revenue of Rs 68.66 Crs as against Rs 52.95 Crs during FY17. As per provisional figures provided, the firm reported turnover of Rs 79.78 Crs during FY19.

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### **Credit Risks:**

- **Thin Profitability Margins:** During FY18, the entity reported operating margin of 4.09% and PAT margin of 0.18%. Margins are thin due to trading nature of the business.
- **Elongated conversion cycle:** Conversion cycle stood at 173 days due to high number of days of inventory and receivables at 97 days and 89 days respectively.
- **Weak Debt Protection Metrics:** During FY18, Debt protection metric such as ISCR reported 1.08X which is quite low.
- **Exposure to volatile commodity prices:** As entity is engaged in trading of food grains, cereals, pulses, gram, oil seeds etc. it is exposed to volatile commodity prices due to uncertain agro climatic conditions.

### **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 **Aggarwal Sons** 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**

Established in the year 1978, M/S Aggarwal Sons is a partnership firm engaged in trading of agricultural products such as food grains, cereals, pulses, gram, oil seeds etc. Mr Ojaswi Goyal, Mr Satish Chander Goyal, Mr Aman Goyal and Mr Radhey Shyam Goyal are presently partners in the firm. The registered office of the firm is Located at New Dhan Mandi, Sri Ganganagar.

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### Company Financial Performance

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Total Operating Revenue	₹ Cr	53.38	70.30
EBITDA	₹ Cr	1.25	2.88
PAT	₹ Cr	0.09	0.13
Tangible Net worth (Analyzed)*	₹ Cr	8.50	10.20
Total Debt/Tangible Net worth	Times	2.16	3.95
Current Ratio	Times	1.72	1.35

\*including unsecured loans of Rs 6.54 Cr as quasi equity.

### Rating History for the last three years

/Facility	Current Rating (2019)			Rating History		
	Tenure	Amount (₹ Crs)	Rating	2018	2017	2016
<b>Fund Based</b>	Long Term	41.00	<b>BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable</b>	NA	NA	NA
<b>Total</b>		<b>41.00</b>	<b>₹ Forty One Crores Only</b>			

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

### Hyperlink/Reference to applicable Criteria

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

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For any other criteria obtain hyperlinks from website

Analytical Contacts	Investor Contacts
<p><b>RK Sharma</b> Senior Director - Ratings B : +91 11 2341 2232 <a href="mailto:rksharma@brickworkratings.com">rksharma@brickworkratings.com</a></p> <p><b>Akhil Khurana</b> Ratings Analyst B : +91 11 2341 2232 <a href="mailto:Akhil.k@brickworkratings.com">Akhil.k@brickworkratings.com</a></p>	<p><b>Satish Nair</b> Director - Global Market Development &amp; Investor Relations M : +91 7738875550 B : +91 80 6745 6666 <a href="mailto:satish.n@brickworkratings.com">satish.n@brickworkratings.com</a></p>
1-860-425-2742	

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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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