

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 10.11 Crores of Agrawal Automobiles.**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July,2018)	Present
Fund based	10.00	10.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook Stable	BWR BB- (Pronounced as BWR Double B Minus) Reaffirmed Outlook Stable
Non Fund Based	0.20	0.11	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
<b>Total</b>	<b>10.20</b>	<b>10.11</b>	<b>INR Ten Crores and Eleven Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**Rating Action/Outlook: Reaffirmed/Stable**

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

BWR has essentially relied upon the audited financial statements of Agrawal Automobiles. upto FY 18 , provisional FY 19, publicly available information and information / clarifications provided by the entity's management.

The rating reaffirmation continues to draw strength from the strong business experience of the partner/s, established track of operations on account of strong network developed with suppliers and customers However, the rating is constrained by thin profit margins owing to trading nature of business, high gearing level on account of low capital base, the constitution of the firm being partnership restricting its financial flexibility and risk associated with changing commodity prices impacting the firm's sales..



Going forward, the ability of the entity to achieve projected revenue & profitability margins, improving its capital structure and partners sustaining profits and capital in business would be key rating sensitivities.

## Description of Key Rating Drivers

### Credit Strengths:

- **Experienced Promoters and location advantage:** The partner's have an experience of around four decades in the current line of business and hence have developed an established relation with customer and suppliers. The firm enjoys easy proximity to major ports leading to easy and cheap transports
- **Sustained growth in operations:** The Total Operating Income has improved to Rs 132.02 crs in FY19 provisional as against Rs 117.10crs~a growth of about 12.74% in the revenue. The firm has witnessed year on year sustained improvement in revenues backed by healthy volumes.
- **Improvement in Interest servicing capacity of the firm:** The interest service indicator represents comfortable interest servicing capacity at 2.17x in FY18 and 2.00x in FY19 .

### Credit Risks:

- **Inherent Constitution Risk associated with partnership firm:**Being a partnership concern, it is exposed to the risk of withdrawal of capital by the partners due to personal exigencies, dissolution of the firm due to retirement or death of the partner and restricted financial flexibility due to inability to explore cheaper sources of finance leading to limited growth potential.
- **High Gearing level on account of low capital base:** The gearing is high with TOL/TNW at 3.53x in FY 18 further increasing to 4.43x in PFY 19. and Total Debt/TNW at 2.89x in FY18; further increasing to 3.44x in FY19 restricting the financial flexibility of the firm.
- **Dependence on commodity prices:** The firm would remain exposed to the movement in the commodity price cycles and the volatility in crude prices. Any adverse changes in the import duty on its products would also have an impact on the firm's domestic sales
- **Thin profit margins owing to trading nature of business:** Both Operating margins and Net profit margins continue to remain thin at 2.75% and 0.27% respectively in provisional FY 19; owing to firm's trading nature of business.

## Analytical Approach and Applicable Rating Criteria

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 Sensitivities:

Going forward, the ability of the firm to improve its scale of operations by improving its profitability margins and efficiently manage its liquidity would remain the key rating sensitivities.



**Positive:** The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement backed by healthy liquidity.

**Negative:** The rating outlook may be revised to 'Negative' in case revenues of the firm substantially deteriorates from current level. Rating may also be adversely affected in case of adequate deterioration in gearing and coverage ratios.

### **Liquidity Position- Stretched**

Liquidity position of the firm is stretched as reflected from NCA of Rs 2.06 crs against obligations of about 2.05 crs in PFY 19. and firm utilizing around 90% of its Cash Credit limits. However the current ratio has improved to 1.19x in FY18 and 1.27x in FY19 .as compared to 0.98x in FY17.

### **About the Firm**

Incorporated in 1976, Agrawal Automobile (AGA) is promoted by Mr Rajesh Agrawal and Mr Dinesh Agrawal. AGA is engaged in the trading of petroleum products like High Speed Diesel (HSD), Motor Spirit (Petrol), various Engine Oils etc. through its fuel filling station located at Gandhidham, Kutch District. AGA is an authorized dealer of Indian Oil Corporation Limited (IOCL). Trading of petroleum products contributes around 85-90% of its Total Operating Income (TOI).

### **Key Financial Indicators**

<b>Key Parameters</b>	<b>Units</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Result Type</b>		<b>Provisional</b>	<b>Audited</b>	<b>Audited</b>
Total Operating Income	Rs. Crores	132.02	117.10	108.89
EBITDA	Rs. Crores	3.62	3.18	3.58
PAT	Rs. Crores	0.35*	0.21	0.55
Tangible Net worth	Rs. Crores	4.67	4.32	3.83
Total Debt/Tangible Net worth	Times	3.44	2.89	3.38
Current Ratio	Times	1.27	1.19	0.98

\*PAT in provisional FY19 is before deduction of taxes

**Rating History for the last three years**

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	26, July 2018	2017	2016
1	<b>Fund Based</b>	Long Term	10.00	BWR BB- (Pronounced as BWR Double B Minus) Reaffirmed Outlook Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook Stable	<b>N.A</b>	<b>N.A</b>
2	<b>Non Fund Based</b>	Short Term	0.11	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four)	<b>N.A</b>	<b>N.A</b>
<b>Total</b>			<b>10.11</b>	<b>₹ Ten Crores and Eleven Lakhs Only</b>			

Key Covenants of the Instrument/Facility Rated)-N.A

Status of non-cooperation with previous CRA (if applicable)-N.A

**Hyperlink/Reference to applicable Criteria**

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

For any other criteria obtain hyperlinks from website



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