



## Rating Rationale

### Agrawal Automobiles

26 July 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 10.20 Crores of Agrawal Automobiles.

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#### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	10.00	Long Term	<b>BWR BB(-)</b> (Pronounced as BWR Double B Minus ) Outlook: Stable
Non Fund Based	0.20	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Total</b>	<b>10.20</b>	<b>INR Ten Crores and Twenty Lakhs Only.y</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 audited financial results of FY17, audited results of FY 18, projected financial statements upto FY20, publicly available information and information/clarifications provided by the management.

The rating assigned interalia factors the industry experience of the partners,y-o-y increase observed in revenues moderate debt protection indicators. The ratings is however constrained by thin profit margins, low capital base leading to high gearing. inherent constitution risk associated with partnership constitution.

Firm's ability to improve its margins, overall financial performance and improvement in its capital structure are the key rating sensitivities.

#### Description of Key Rating Drivers

#### Credit Strengths:

- The promoters have a vast experience of around four decades in the automobile dealership industry.



- Established relationship with customers and suppliers.
- Year on Year improvement in Top Line.
- The interest service indicator represents reasonable interest servicing capacity at 2.17x in FY18 . With low debt size the DSCR is comfortable at 1.66x in FY18..
- Current ratio has improved to 1.19x in FY18.as compared to 0.98x in FY17.
- Location advantage- close proximity to major ports

#### **Credit risks:**

- Inherent Constitution Risk associated with partnership firm.
- Highly Fragmented and competitive nature of the industry.
- Thin profit margins with OPM and NPM at 2.72% and 0.18% in FY18 owing to trading nature of business with elevated leverage
- The interest service indicator represents reasonable interest servicing capacity at 2.17x in FY18 . With low debt size the DSCR is comfortable at 1.66x in FY18..
- Low Capital base restricting financial flexibility.
- The gearing is high with TOL/TNW at 3.53x in FY 18. and Total Debt/TNW at 2.89x in FY18.

#### **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 **Agrawal Automobiles** 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**

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).AGA also owns the fleet of 55 commercial vehicles for rendering the transport services.

#### **Firm Financial Performance**

Net Operating Income has increased to Rs.117.10crs in FY18 vs Rs 108.89 Crs in FY17, showing a growth of 8% in the net income. EBITDA and PAT stood at Rs. 3.18 Crs and Rs. 0.21 Crs respectively in FY18 against Rs. 3.58 Crs and Rs. 0.55 Crs respectively in FY17.

**Rating History for the last three years**

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	<b>Fund Based</b>	Long Term	10.00	BWR BB(-) (Pronounced as BWR Double B Minus ) Outlook: Stable	N.A	N.A	N.A
2	<b>Non Fund Based</b>	Short Term	0.20	BWR A4 (Pronounced as BWR A Four)	N.A	N.A	N.A
	<b>Total</b>		<b>10.20</b>	<b>₹ Ten Crores and Twenty Lakhs Only</b>			

**Any other information**

**Key Financial Indicators**

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	117.10	108.89
EBITDA	₹ Cr	3.18	3.58
PAT	₹ Cr	0.21	0.55
Tangible Net worth	₹ Cr	4.32	3.83
Total Debt/Tangible Net worth	Times	2.89	3.37
Current Ratio	Times	1.19	0.98

**Hyperlink/Reference to applicable Criteria**

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



For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Sushil Kumar Chitkara</i> <i>Deputy General Manager Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

#### 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](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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

#### DISCLAIMER

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