

Rating Rationale

Brickwork Ratings assigns 'BWR B+' for the Bank Loan Facilities aggregating ₹ 6 Cr of Agrawal Dall Mills.

Brickwork Ratings has assigned the following **Rating¹** for the Bank Loan facilities of Agrawal Dall Mills. (*ADM or the firm*).

Facilities	Limits (₹ Cr)	Tenure	Rating
Fund Based			
Cash credit	6.00	Long Term	BWR B+ (Pronounced BWR B Plus) Outlook : Stable
Total Fund Based	6.00	(INR Six Crores only)	
Total	6.00		

BWR has essentially relied upon the audited financials of Agrawal Dall Mills up to FY 14 and projected financials of FY 15 & FY 16, publicly available information and information/clarifications provided by the firm.

The rating reflects promoter's experience in the industry, long track record of operations, distribution network with geographical diversification and comfortable operating cycle. The rating however, is constrained by small scale of operations, declined sales in FY 14, weak financial profile marked by low profitability margins, modest debt service coverage indicators, low tangible net worth, high gearing level, risk associated with constitution as a partnership firm and intense competition from other players in the industry.

Background:

Agrawal Dall Mills (ADM), established as a partnership firm in the year 1984 and promoted Mr. Rakesh Agrawal. Its office and manufacturing unit is located at Damoh, Madhya Pradesh. ADM is engaged in processing of gram/channa, Masoor Dall etc. Major raw materials of the firm are pulses, which are procured from mandi auctions (around 60 %) and rest from the farmers from Jabalpur.. The promoters and employees participate in auction for procurement of Pulses of varied quality in the mandis from Damoh and nearby places during the arrival season every year.. The important steps involved in production process is cleaning, milling, dehusking & cleaning and weighing & packaging.

Financial Performance:

ADM's net revenue from operations decreased from ₹44.97 Crores in FY13 to ₹37.42 Crores in FY14 because of failure in the crop and yield of Chana crop was not on the expected lines. EBITDA and PAT margins were at 2.43% and 0.57% in FY14, increased from 1.50% and 0.51% in FY13 respectively, due to reduction in operating expenses. Tangible Networth increased from Rs. 1.41 crs in FY 13 to Rs. 1.69 crs in FY 14 due to infusion of capital by promoters and retention of profits. Borrowings are essentially by way of working capital facilities and the ratio of Total

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Debt to Equity was 3.52x times in FY 14. The firm has achieved sales of around Rs. 13.30 crs for the five month operation period April- Aug 2014.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the firm to achieve the projected turnover by increasing its scale of operations with improvement in profitability in the light of volatile raw material prices, strengthening its capital structure and effectively manage its working capital requirements - will remain key rating sensitivities.

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