

Rating Rationale

Agrawal Oil & Biocheam

16 Feb 2018

Brickwork Ratings assigns BWR B+ for the Bank Loan Facilities of Rs. 8.21 Crs of Agrawal Oil & Biocheam(AOB or ‘the concern’)

Particulars

Facility Rated#	Amount (Rs. Crs)	Tenure	Rating^
<u>Fund Based</u>			
Cash Credit-Existing*	5.60	Long Term	BWR B+ (Pronounced BWR Single B Plus) Outlook : Stable Assigned
Cash Credit Proposed	2.40		
Term loan	0.21		
Total	8.21	(INR Eight Crores and Twenty one lakhs only)	

*Note: Packing Credit of Rs.1 Cr and FOBP/FOUBP/ FOBNLC/ FOUBNLC of Rs. 1 Cr.is included in the Cash Credit limit

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

Annexure-I provides details of bank facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced promoters and the operational track record of around 7 years. The rating is, however, constrained by fluctuating revenues, low profitability, susceptibility of profit margins to volatility in raw material prices and foreign exchange fluctuations and working capital intensive operations.

Going forward, the Concern’s ability to increase its scale of operations, strengthen its credit profile and manage its working capital requirement efficiently and would be the key rating sensitivities.

Analytical approach

16 Feb 2018



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).

Key Rating drivers

Experienced Management

The Proprietor has around 15 years' experience in the agro Industry. The concern has been operational since 2010 and has established relationships with its suppliers and customers.

Volatility in revenues

The Concern's revenue has fluctuated in the last three years with Total Operating income of Rs. 35.35 Crs in FY 15, Rs. 20.24 Crs in FY 16 and Rs. 41.77 Crs in FY 17. Lower production of soybeans during 2015-16 due to climatic conditions had affected the turnover. In FY. 17, however, the climatic conditions improved.

Leveraged capital structure

The capital structure of the concern is deteriorating y-on-y basis as marked by the overall gearing ratio of 3.52 times in FY 15, 4.02 times in FY 16 and 4.76 times in FY 17 on account of higher debt levels and lower capital base. Further, Debt service coverage ratio was low at 1.14 times as on March 31 2017 as against 0.99 times for the previous year.

Susceptibility of profit margins to volatility in raw materials and foreign exchange fluctuations

Soybean's prices are governed by demand and supply and are volatile in nature, which has direct impact on raw material prices of AOB and the profitability of the concern. AOB exports its products like Organic soybean, oil seeds and grains to countries like USA, Canada, Sweden etc..Due to high volume of exports, there is susceptibility to fluctuations in exchange rate which affect topline.

Rating Outlook : Stable

BWR believes that the Concern'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.

About the Concern

AOB was established in 2010 as a proprietorship concern by Mr. Bhavesh Agrawal in Indore, Madhya Pradesh. The concern is engaged in manufacturing of organic food and feed products at its manufacturing unit located in Indore at an installed capacity of 1000 MT/month, The product range broadly includes Organic oil seeds, Organic cereals and Organic spices and herbs. The concern is organic certified as per USDA Organic, ISO 22000-2005 and GMP+ certification for food safety management. AOB sells its products under the brand name "Soyag".

Financial Performance

AOB reported Net Revenue of Rs 41.77 Crs and net profit of Rs 0.36 Crs for FY 17 as against Net revenue of Rs. 20.24 Crs and net profit of Rs. 0.15 Crs for FY 16. On a provisional basis, the concern achieved a turnover of Rs. 49.45 Crs for ~10M FY 18. Proprietor's Capital was Rs. 1.84 Crores and Total debt was Rs.8.74 Crs as on March 31 2017. Current ratio was moderate at 1.40 times as on March 31 2017.

Rating History for the last three years:

Instrument/ Facility	Current Rating (February 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2016	2015	2014
Fund Based			BWR B+ (Outlook: Stable) Assigned	Not Rated	Not Rated	Not Rated
Cash Credit-Existing	Long Term	5.60				
Cash Credit- Proposed		2.40				
Term Loan*		0.21				
	Total :	8.21	INR Eight Crores and Twenty one lakhs only			

*Term loan outstanding

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Manufacturing companies](#)
- [Approach to Financial Ratios](#)

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Annexure I
Details of Rated Bank Facilities – Punjab National Bank, Indore, Madhya Pradesh

Facilities	Rated Amount (Rs Crs)**
Cash Credit- Existing & Proposed	8.00
Term Loan*	0.21
Total	8.21

*Term loan outstanding

Annexure II
Key Financial Indicators

Particulars	FY 16	FY 17
Net Revenue (Rs. Cr)	20.24	41.77
EBITDA (Rs. Cr)	0.62	0.86
PAT (Rs. Cr)	0.15	0.36
Proprietor’s Capital (Rs Cr)	1.57	1.84
Total Debt: Proprietor’s capital (Times)	4.02	4.76
Current Ratio (Times)	1.49	1.40

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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