



Rating Rationale

Agri Base Commodities

24 Mar 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 16.19 Crores of Agri Base Commodities.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2017)	Present
Fund based	17.32	16.19	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmed
Total	17.32	16.19	INR Sixteen Crores and Nineteen Lakhs Only		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities: BWR has essentially relied upon the audited financial result of the firm up to FY17 and publicly available information/clarification provided by the management.

The rating has factored, inter alia, the experience of the promoters in cashew processing business and established customers and suppliers relationship. However the rating is constrained by high inventory, low profit margins due to higher interest cost in FY17 and low value addition, susceptibility of profits due to volatility in raw material prices, agro climatic risks and foreign exchange fluctuation. The rating is further constrained by risk associated with partnership constitution of the firm.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Promoters:** The partners of the firm have long experience in cashew processing industry.



- **Improvement in turnover:** The firm turnover has improved in FY17 to Rs.44.26 Crs compared to Rs. 34.53 Crs in FY16, but the firm operates on low scale of operations.

Credit Risks:

- **Working capital intensive operations:** The firm's operations are working capital intensive in nature owing to seasonal availability of raw material resulting in high inventory holding period. Inventory holding period as on FY17 is 123 days as against 79 days as on FY16.
- **Susceptibility of profitability margins to volatility in raw material prices, agro climatic risks and foreign exchange fluctuation:** The availability and pricing of raw cashew depends upon various factors including monsoon, area under cultivation, domestic demand among other factors. The operating margins of ABC are susceptible to volatility in raw material prices, agro climatic conditions and fluctuation in foreign currency.
- **Intense competition:** Highly competitive industry due to the presence of a large number of cashew-processing units in and around the region where the firm operates.
- **Constitution of the entity as partnership firm:** Constitution as partnership has the inherent risk of possible withdrawal of the capital by the partners which can adversely affect its capital structure.

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 **Agri Base Commodities** 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

Agri Base Commodities is a partnership firm started in 1997 at Mangalore, Karnataka. The firm is engaged in cashew processing business. Mr. S Umesh Kamath and Mrs. Latha Kamath are the partners of the firm.

Company Financial Performance

As per audited FY17 financials, the firm has booked total operating income of Rs. 45.25 Crs and PAT of Rs. 0.81 Crs as against total operating income of Rs. 35.68 Crs and PAT of Rs. 0.88 Crs in FY16.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	13, Feb, 2017	2016	2015
1	Fund Based	Long Term	16.19	BWR BB/Stable	BWR BB/Stable	NA	NA
	Total		16.19	₹Sixteen Crores and Nineteen Lakhs Only			

Status of non-cooperation with previous CRA - NA

Key Financial Indicators

Key Parameters	Units	2017	2016
		Audited	Audited
Total Operating Revenue	Crores	45.25	35.68
EBITDA	Crores	2.32	1.72
PAT	Crores	0.81	0.88
Partners Capital	Crores	5.21	2.87
Total Debt/Tangible Net worth	Times	3.39	3.12
Current Ratio	Times	1.80	1.13

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

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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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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