

Agri Base Commodities

Brickwork Ratings Reaffirms the ratings for the enhanced Bank Loan Facilities of ₹ 21.55 Crores of Agri Base Commodities

Particulars:

Facilities**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July 2019)	Present
Fund Based:					
SOD	16.00	16.00	Long Term	BWR BB- Stable	BWR BB- Stable (Reaffirmation)
Term Loan#	1.13	0.75			
WC DL	-	4.80			
EPCL (SOD sublimit)	(12.00)	(12.00)			
FUBP/FDBP (SOD sublimit)	(8.00)	(8.00)			
Total	17.13	21.55	INR Twenty One Crores & Fifty Five Lakhs Only		

#Term loan amount outstanding as on 14.7.2020

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

** Details of Bank facilities is provided in Annexure - I

RATING ACTION / OUTLOOK

Brickwork Ratings reaffirms the ratings of BWR BB- Stable for the enhanced bank loan facilities of Rs. 21.55 Crs of M/s. Agri Base Commodities.

BWR has essentially relied upon the firm's audited financial results up till FY19, Provisional Statement for 31.3.2020, Projections for FY21 till FY23 and publicly available information and clarifications provided by the management.

KEY RATING DRIVERS

The rating has inter-alia, factored experience of the partners in the food processing industry for more than two decades, established track record, increase in processing capacity by 5 MT and ability to meet its debt obligations. However, the ratings are constrained by the volatility in operating revenue and profitability level, decline in debt service coverage, reduced net worth of the firm, activity depending on seasonal and climatic conditions leading to price fluctuation of raw materials in the market.

- **Credit Strengths:**

Management having vast experience in the relevant industry: Agri Base Commodities is presently constituted by two partners, namely Mr. S. Umesh Kamath and Mrs. S. Latha Kamath. The business was initially started by Late Mr. Shevgur Vittal Kamath father of Mr. Umesh Kamath in the year 1960, and later Mr. S. Umesh Kamath continued the family business and started his own cashew processing unit under the name & style of Agri Base Commodities

Associate business with similar line of activity: Apart from this unit there are other associate businesses owned by other family members; under the name & style of Kamath Cashew Company, Navadurga Cashew Industries and Navadurga Export for cashew processing

Established track record within and outside the country: ABC procures ~ 50-60% of raw cashew majorly from Ivory Coast, Tanzania etc and rest from the domestic market through agents and brokers. ABC exports ~40-50% of processed cashew to Gulf Countries, USA and Canada and rest is sold through domestic market of Gujarat, Rajasthan, Delhi, Punjab and Karnataka

Improved processing capacity of the firm for FY20: The processing capacity of the firm had increased by further 5 MT (bringing the total production capacity to 75% PA) against which it has availed working capital demand loan of Rs. 4.80 crs. Further, the management has made arrangements for regular supply of raw materials by entering into sufficient number of import contracts.

- **Credit Risks:**

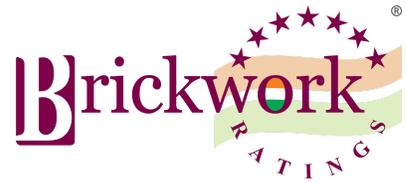
Volatile operating revenue and profitability level of the firm: Operating revenue and profit level of the firm for FY19 has been volatile for the last 3 audited financial years. It stood at Rs. 42.68 crs for FY19 as against Rs. 60.27 crs in FY18 and Rs. 45.25 crs in FY17. While, the firm has incurred loss during FY19, PAT was at Rs. (1.86) crs as compared to Rs. 0.28 crs in FY18 and Rs. 0.81 crs in FY17.

However, as per Provisional statement for FY20, Sales revenue has been estimated at Rs. 56.42 crs. Further, revenue from Apr - Jun 2020 was at Rs. 4.50 crs

Gearing level of the firm: Steep increase in the gearing level of the firm for FY19; with Debt equity at 17.25 times as against 5.03 times in FY18 and 3.39 times in FY17, it is mainly due to reduced net worth of the firm during FY19. Partners Capital for FY19 was at Rs. 1.02 Crs as against Rs. 3.35 Crs in FY18

Reduced Profitability margin of the firm for FY19: Net profit margin for FY19 was at (4.37) percent as against 0.46 percent in FY18 and 1.78 percent in FY17

Risk relating to seasonal/ climatic changes and high competition from many small and medium units in and around the region: Seasonal and climatic conditions influencing the industry, leading to price



fluctuation of raw materials combined with high competition from many small and medium players in and around the region

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 company to improve its scale of operation, to meet its projected revenue and profitability margin, to maintain its financial risk profile and to manage its working capital efficiently will be the key rating sensitivities.

Positive:

- Management having vast knowledge and experience in the relevant business
- Improved processing capacity of the product for FY20

Negative:

- Volatile operating revenue and profitability margin of the firm
- Climatic risk and High competition from many players in the relevant industry

LIQUIDITY POSITION

Liquidity level has come down with current ratio at 0.93 times for FY19 as against at 1.13 in FY18. Conversion cycle for FY19 was high at 116 day with stretched inventory of 149 days. Net cash accruals to Total Debt was at (0.08) times for FY19

ABOUT THE FIRM

Agri Base Commodities(ABC) was established in the year 1997 as a Partnership firm at Mangalore, Karnataka. Presently it is constituted by two partners, namely Mr. S. Umesh Kamath and Mrs. S. Latha S. Kamath. The unit is ISO 9000:2001 certified. Agri Base Commodities is engaged in cashew processing and wholesale trading in domestic as well as international markets. It was initially started by Late Mr. Shevcur Vittal Kamath father of Mr. Umesh Kamath in the year 1960, and later Mr. S. Umesh Kamath continued the family business and started his own cashew processing unit under the name & style of Agri Base Commodities.

ABC procures ~ 50-60% of raw cashew majorly from Ivory Coast, Tanzania etc and rest from the domestic market through agents and brokers. ABC exports ~40-50% of processed cashew to Gulf Countries, USA and Canada and rest is sold through domestic market of Gujarat, Rajasthan, Delhi, Punjab and Karnataka

ABC's cashew processing unit is 80% fully automatic and 20% semi automatic (as against 95% semi automatic previously). The processing capacity for FY19 was at 3744 M.Ton pa. Presently the firm has ~ 90 nos of both skilled and unskilled employees for FY19.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Crs	42.68	60.27
EBITDA	₹ Crs	1.46	1.50
PAT	₹ Crs	(1.86)	0.28
Tangible Net worth	₹ Crs	1.02	3.35
Total Debt/Tangible Net worth	Times	17.25	5.03
Current Ratio	Times	0.93	1.13

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : None

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Facility	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	29.7.19	FY18	FY17
Fund Based	Long term	21.55	BWR BB- stable (Reaffirmation)	BWR BB- stable	-	-
Total		21.55	INR Twenty One Crores and Fifty Five Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

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Agri Base Commodities

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Tenure	Total (₹ Cr)
1	Syndicate Bank	SOD	Long Term	16.00
2		Term loan#		0.75
3		WCDL		4.80
4		EPCL (SOD sublimit)		(12.00)
5		FUBP/ FDBP (SOD sublimit)		(8.00)
TOTAL AMOUNT				21.55

#Amount outstanding as on 14.7.2020

Total Rupees Twenty One Crores and Fifty Five Lakhs Only.



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